



**CONGRESSIONAL BUDGET OFFICE
PAY-AS-YOU-GO ESTIMATE**

May 4, 1999

H.R. 800

Education Flexibility Partnership Act of 1999

As enacted on April 29, 1999

SUMMARY

H.R. 800, enacted as Public Law 106-25, implements a nationwide policy allowing the Department of Education to delegate to states a portion of its waiver-granting authority. Under this law, state education agencies can decide whether particular school districts may waive requirements imposed by certain federal regulations. It also provides some local education agencies (LEAs) with the authority to apply Class Size Reduction funds toward professional development programs.

Because Public Law 106-25 will affect the rate of spending from funds that have already been appropriated for fiscal year 1999, pay-as-you-go procedures apply.

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary impact of Public Law 106-25 is shown in Table 1. The budgetary impact of this legislation falls within budget function 500. For purposes of enforcing pay-as-you-go procedures, only the effects in the budget year and the succeeding four years are counted.

Table 1. Summary of Effects of P.L. 106-25 on Direct Spending and Receipts

	By Fiscal Year, in Millions of Dollars										
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Change in outlays	0	32	-11	-16	-5	0	0	0	0	0	0
Change in receipts	Not applicable										

BASIS OF ESTIMATE

Public Law 106-25 requires that states meet three criteria in order to qualify for waivers. First, states and districts must have in place, or be making substantial progress toward, the standards and assessments described in title I of the Elementary and Secondary Education Act (ESEA). Second, state education agencies must have the ability to modify their own regulatory or statutory requirements to make them consistent with the federal waivers they grant. Third, states must hold LEAs accountable for meeting certain goals.

The law allows states to waive the requirements of seven education programs: titles I, IV, and VI of ESEA; part B of title II of ESEA; subpart 2 of part A of title III of ESEA; part C of title VII of ESEA; and the Carl D. Perkins Vocational and Technical Education Act. The waivers neither affect the total amount of a state's federal grant nor the state's allocation among competing districts but could change the allocation received by the schools within a given district.

Public Law 106-25 also allows LEAs that currently maintain average class sizes of fewer than 18 students in grades 1 through 3 to apply their Class Size Reduction funds toward professional development programs. Some LEAs are currently meeting this requirement. CBO estimates that most of these LEAs will choose to redirect the funds originally earmarked for reducing class size.

Based on data from the 1993-1994 *School and Staffing Survey*, CBO estimates that nearly 20 percent of LEAs currently enjoy average class sizes of fewer than 18 in grades 1 through 3. These LEAs tend to have smaller than average enrollments. Because the allocation of Class Size Reduction funds is driven primarily by enrollment, the effective proportion of LEAs that currently meet the small class size criterion for first through third graders drops to an estimated 12 percent when weighted by size. CBO expects about three-quarters of these LEAs to reallocate their Class Size money to professional development.

The Congress has appropriated \$1.2 billion for Class Size Reduction in fiscal year 1999. The historical spend-out rate for professional development funds is greater in the second year than the anticipated rate at which the Class Size Reduction money will spend. Consequently, CBO estimates that outlays will increase by \$32 million in 2000 but decrease by \$11 million in 2001, \$16 million in 2002, and \$5 million in 2003.

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