



CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE

July 14, 2003

H.R. 2556
DC Parental Choice Incentive Act of 2003

As ordered reported by the House Committee on Government Reform on July 10, 2003

SUMMARY

H.R. 2556 would establish a new grant program to provide low-income parents residing in the District of Columbia scholarships to use for private-school tuition. The bill would authorize the appropriation of \$15 million in 2004 and an estimated \$78 million over the 2004-2008 period. CBO estimates that appropriation of the authorized levels would result in additional outlays of \$70 million over the same period. Enacting the bill would not affect direct spending or revenues.

H.R. 2556 contains no intergovernmental or private-sector mandates as defined by the Unfunded Mandates Reform Act (UMRA). Any costs incurred by the District of Columbia would be indirect or the result of complying with grant conditions.

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary impact of H.R. 2556 is shown in the following table. The costs of this legislation fall within budget function 500 (education, training, employment, and social services).

	By Fiscal Year, in Millions				
	2004	2005	2006	2007	2008
SPENDING SUBJECT TO APPROPRIATION					
DC School Choice					
Estimated Authorization Level	15	15	16	16	16
Estimated Outlays	8	15	15	16	16

BASIS OF ESTIMATE

H.R. 2556 would create a new grant program to provide low-income parents residing in the District of Columbia, particularly parents of students who attend schools identified for improvement by the Elementary and Secondary Education Act of 1965 (ESEA), scholarships to use for private-school tuition.

The bill would authorize the Secretary of the Department of Education to award grants to educational entities of the District of Columbia, nonprofit organizations, or a consortium of nonprofit organizations to administer the overall grant program and seek out private schools, parents and students to participate in the program. The grantees would award scholarships to low-income parents to pay for tuition, fees, or transportation expenses of private schools. Priority would be given to students who attend elementary and secondary schools identified for improvement by the ESEA.

CBO assumes that H.R. 2556 would be enacted by October 1, 2003, and that the first scholarships would be awarded for the 2004-2005 academic year. Based on discussions with the Department of Education on the probable timing of the awards, this estimate assumes that scholarship payments would be made twice a year on a semester basis and that outlays would reflect this schedule.

The bill would authorize funding of \$15 million in 2004 and such sums as may be necessary for the following four years. For this estimate, we assume that funding would be increased each year for anticipated inflation. If the estimated amounts are appropriated for each year, CBO estimates that outlays would increase by \$8 million in 2004, and by \$70 million over the 2004-2008 period.

INTERGOVERNMENTAL AND PRIVATE-SECTOR IMPACT

The provisions in H.R. 2556 apply to grant recipients in the District of Columbia; therefore, they would be voluntary and not mandates as defined by UMRA. An educational entity of the District of Columbia may voluntarily choose to apply to the Department of Education to distribute the grants, but any requirements would be conditions of receiving a federal grant. The nondiscrimination language in the bill is similar to the District's own language and would not substantially change District law. If students opt to attend private schools, the District of Columbia school system could lose federal grants that are based on the number of pupils under 185 percent of the poverty line.

ESTIMATE PREPARED BY:

Federal Costs: Donna Wong

Impact on State, Local, and Tribal Governments: Sarah Puro

Impact on the Private Sector: Bruce Vavrichek

ESTIMATE APPROVED BY:

Peter H. Fontaine

Deputy Assistant Director for Budget Analysis