

At a Glance

H.R. 865, Rebuild America’s Schools Act of 2019

As ordered reported by the House Committee on Education and Labor on February 26, 2019

Millions of Dollars	2019	2019-2024	2019-2029
Direct Spending (Outlays)	0	3,030	8,367
Revenues	0	-255	-1,209
Deficit Effect	0	3,285	9,576
Spending Subject to Appropriation (Outlays)	0	20,071	55,639

Pay-as-you-go procedures apply?	Yes	Mandate Effects	
Increases on-budget deficits in any of the four consecutive 10-year periods beginning in 2030?	> \$5 billion	Contains intergovernmental mandate?	No
		Contains private-sector mandate?	No

The bill would

- Reauthorize certain qualified tax credit bonds and create a new school infrastructure bond program
- Authorize the appropriation of \$7 billion for each year from 2020 through 2030 for need-based grants to qualified local education agencies for school construction and renovation
- Require a study of and report on the physical condition of all U.S. public schools
- Authorize the appropriation of a total of \$562 million for the 2020-2025 period to fund Impact Aid construction grants under the Elementary and Secondary Education Act
- Permanently authorize the appropriation of such sums as may be necessary for grants to states to repair school foundations affected by pyrrhotite

Estimated budgetary effects would primarily stem from

- The school infrastructure bond program
- New and increased authorizations of appropriations for school improvement and construction

Areas of significant uncertainty include

- Interest rates over the next decade
- The scope and funding required for a comprehensive study of the physical condition of all public schools
- The number of schools affected by pyrrhotite

Detailed estimate begins on the next page



Bill Summary

H.R. 865 would reauthorize certain qualified tax credit bonds and amend the Internal Revenue Code of 1986 to create a new bond program to fund school construction and renovations. The bill also would create a need-based grant program for improvement and construction of public schools, increase funding for Impact Aid construction grants, and create a grant program to identify and repair buildings affected by pyrrhotite (a mineral that can compromise building materials such as concrete). In addition, H.R. 865 would direct the Department of Education, through the Institute of Education Sciences (IES), to conduct a comprehensive study of the physical condition of all public schools in the United States.

Estimated Federal Cost

The estimated budgetary effect of H.R. 865 is shown in Table 1. The costs of the legislation fall within budget function 500 (education, training, employment, and social services).

Table 1. Estimated Budgetary Effects of H.R. 865													
By Fiscal Year, Millions of Dollars												2019- 2024	2019- 2029
	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029		
Increases in Direct Spending													
Estimated Budget Authority	0	54	273	635	968	1,100	1,089	1,078	1,067	1,057	1,046	3,030	8,367
Estimated Outlays	0	54	273	635	968	1,100	1,089	1,078	1,067	1,057	1,046	3,030	8,367
Decreases in Revenues													
Estimated Revenues	0	-2	-13	-39	-80	-122	-153	-174	-191	-207	-228	-255	-1,209
Net Increase in the Deficit From Changes in Direct Spending and Revenues													
Effect on the Deficit	0	56	286	674	1,048	1,222	1,242	1,253	1,258	1,264	1,275	3,285	9,576
Increases in Spending Subject to Appropriation													
Estimated Authorization	0	7,129	7,130	7,150	7,151	7,152	7,153	7,054	7,056	7,056	7,058	35,712	71,089
Estimated Outlays	0	731	1,804	3,938	6,421	7,153	7,179	7,150	7,115	7,066	7,054	20,047	55,611

Sources: Congressional Budget Office; staff of the Joint Committee on Taxation.

Components may not sum to totals because of rounding.

Basis of Estimate

CBO assumes that H.R. 865 would be enacted near the end of fiscal year 2019 and that authorized and estimated funds would be appropriated every year.

Direct Spending and Revenues

Title II of H.R. 865 would authorize a new tax credit bond program for Qualified School Infrastructure Bonds (QSIBs). Under that program, the Treasury would offer tax credits or make direct payments to the holders of those bonds. The bill would authorize up to



\$10 billion in QSIBs in each of 2020, 2021, and 2022. Title II also would reauthorize two tax credit bond programs—Qualified Zone Academy Bonds (QZABs) and Qualified School Construction Bonds (QSCBs). For QZABs, the bill would authorize up to \$1.4 billion in 2020 and each year thereafter but the bill would make no allocation for QSCBs. The staff of the Joint Committee on Taxation (JCT) estimate that enacting those provisions would increase direct spending by \$8.4 billion over the 2019-2029 period and reduce revenues by \$1.2 billion over the same period.

Spending Subject to Appropriation

H.R. 865 would authorize the appropriation of \$35.5 billion over the 2020-2024 period and CBO estimates that the bill would authorize additional appropriations totaling about \$0.2 billion over the same period. Assuming the appropriation of the authorized and estimated amounts, CBO estimates that implementing the bill would cost \$20.0 billion over the 2020-2024 period (see Table 2).

Table 2.
Estimated Increases in Spending Subject to Appropriation Under H.R. 865^a

	By Fiscal Year, Millions of Dollars						2019-2024
	2019	2020	2021	2022	2023	2024	
Grants for Public School Facilities							
Authorization	0	7,000	7,000	7,000	7,000	7,000	35,000
Estimated Outlays	0	700	1,750	3,850	6,300	7,000	19,600
Impact Aid Construction							
Authorization	0	81	81	100	100	100	462
Estimated Outlays	0	8	20	47	78	104	257
Study and Report							
Estimated Authorization	0	25	26	26	27	27	131
Estimated Outlays	0	20	25	26	26	27	124
Assistance for Schools Affected by Pyrrhotite							
Estimated Authorization	0	23	23	24	24	25	119
Estimated Outlays	0	3	9	15	17	22	66
Total Changes							
Estimated Authorization	0	7,129	7,130	7,150	7,151	7,152	35,712
Estimated Outlays	0	732	1,805	3,938	6,421	7,152	20,047

a. CBO estimates spending subject to appropriation would total \$35.6 billion over the 2019-2029 period.

Grants for Public School Facilities. The bill would authorize the appropriation of \$7 billion for each year over the 2020-2029 period for the long-term improvement of public school facilities. Under the General Education Provisions Act (GEPA), those authorizations would be extended automatically for an additional year, through fiscal year 2030. Based on historical spending



patterns for similar programs, CBO estimates that implementing this provision would cost \$19.6 billion over the 2020-2024 period, an additional \$35 billion through 2029, and about \$22 billion after 2029.

Impact Aid Construction. The federal Impact Aid Program provides funds to school districts that serve children who live on military installations and other federal lands that are exempt from local property taxes. The bill would authorize the appropriation of \$100 million for construction under that program for each year from 2020 through 2024. (Under GEPA, that funding would be extended automatically through 2025.) Currently, \$19 million is authorized to be appropriated for 2020 and 2021 and the Congress appropriated \$17 million for those purposes for 2019. CBO expects the newly authorized funds would spend more slowly at first than is ordinarily the case for this program because the bill would authorize a substantial increase over current funding amounts. CBO estimates that implementing this provision would cost \$257 million over the 2020-2024 period and an additional \$306 million through 2029.

Study and Report. The bill would require IES to complete a comprehensive study of the physical condition of all U.S. public schools. CBO assumes that IES would conduct the study by aggregating available information and augmenting that data with survey results and with inspections of a sample set of schools. CBO expects that IES would need to collect information from about 10 percent of U.S. public schools over a five-year period. In addition, CBO estimates that the institute would need to hire five full-time employees, conduct site visits, and hire contractors. On that basis, CBO estimates that implementing those provisions would cost \$124 million over the 2020-2024 period and an additional \$144 million through 2029.

Assistance for Schools Affected by Pyrrhotite. H.R. 865 would permanently authorize the appropriation of whatever amounts are necessary for grants to schools with concrete foundations that contain pyrrhotite, which can cause building foundations to crack and crumble. CBO is unaware of any comprehensive data on schools affected by pyrrhotite; only one school is currently known to be affected as far as CBO knows. CBO estimates that approximately one school per year would receive such a grant, and that, based on the estimated cost of a similar repair, the federal share of the total cost would be \$23 million in 2020. CBO estimates that implementing this provision would cost \$66 million over the 2020-2024 period and an additional \$114 million through 2029.

Uncertainty

JCT's estimate of the provisions related to tax credit bonds are closely tied to CBO's projections of interest rates over the next decade. Those projections are inherently uncertain. The estimate also depends on anticipated behavioral responses including taxpayers' willingness to purchase the bonds of state and local governments and those governments' willingness to incur such debt.

CBO has identified two additional areas of significant uncertainty regarding its estimates of spending subject to appropriation in H.R. 865:



- The bill’s language regarding the comprehensive survey of the physical condition of all U.S. public schools is broad enough that CBO expects the Department of Education could exercise considerable judgment in designing and conducting the study of school buildings. The cost would depend in part on how the department structured the required study. CBO based its estimate on information from discussions with experts in this area.
- The number of public schools that are affected by pyrrhotite is quite uncertain and little information to identify such schools is currently available; testing is under way in only a few places. If the number of affected schools is larger than current data indicate, the cost may be greater and more funds may be necessary.

Pay-As-You-Go Considerations

The Statutory Pay-As-You-Go Act of 2010 establishes budget-reporting and enforcement procedures for legislation affecting direct spending or revenues. The net changes in outlays and revenues that are subject to those pay-as-you-go procedures are shown in Table 3.

Table 3.
CBO’s Estimate of Pay-As-You-Go Effects of H.R. 865

	By Fiscal Year, Millions of Dollars											2019-2024	2019-2029
	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029		
	Net Increase in the Deficit												
Statutory Pay-As-You-Go Effect	0	56	286	674	1,048	1,222	1,242	1,253	1,258	1,264	1,275	3,285	9,576
Memorandum:													
Changes in Outlays	0	54	273	635	968	1,100	1,089	1,078	1,067	1,057	1,046	3,030	8,367
Changes in Revenues	0	-2	-13	-39	-80	-122	-153	-174	-191	-207	-228	-255	-1,209

Components may not sum to totals because of rounding.

Increase in Long-Term Deficits

JCT estimates that enacting H.R. 865 would increase on-budget deficits by more than \$5 billion in at least one of the four consecutive 10-year periods beginning in 2030.

Mandates: None



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