I

105TH CONGRESS
1ST SESSION

H. R. 2695

To amend the Internal Revenue Code of 1986 to encourage new school construction through the creation of a new class of bond.

IN THE HOUSE OF REPRESENTATIVES

OCTOBER 22, 1997

Ms. SANCHEZ introduced the following bill; which was referred to the Committee on Ways and Means

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A BILL

To amend the Internal Revenue Code of 1986 to encourage new school construction through the creation of a new class of bond.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. SHORT TITLE.

This Act may be cited as the ''Expand and Rebuild America's Schools Act of 1997''.

SEC. 2. FINDINGS.

The Congress finds the following:

(1) Many States and school districts will need to build new schools in order to accommodate increasing student enrollments; the Department of

Education has predicted that the Nation will need 6,000 more schools by the year 2006.

(2) In response to reduced class mandates enforced by State governments and increased enrollment, many school districts have been forced to utilize temporary classrooms and other structures to accommodate increased school populations, along with resorting to year-round schedules for students.

(3) Research has proven a direct correlation between the condition of school facilities and student achievement. Recently, researchers found that students assigned to schools in poor condition can be expected to fall 10.9 percentage points behind those in buildings in excellent condition. Similar studies have demonstrated up to a 20 percent improvement in test scores when students were moved from a school with poor facilities to a new facility.

(4) While school construction and maintenance are primarily a State and local concern, States and communities have not, on their own, met the increasing burden of providing acceptable school facilities, and the poorest communities have had the greatest difficulty meeting this need.

(5) Many local educational agencies have difficulties securing financing for school facility con-

struction and renovation, especially in States that require a ⅔ majority of voter approval for the passage of local bond initiatives.

(6) The Federal Government, by providing interest subsidies and similar types of support, can lower the costs of State and local school infrastructure investment, creating an incentive for businesses to support local school infrastructure improvement efforts.

(7) The United States competitive position within the world economy is vulnerable if America's future workforce continues to be educated in schools not equipped for the 21st century. America must do everything in its power to properly educate its people to compete in the global marketplace.

SEC. 3. PURPOSES.

The purposes of this Act are—

(1) to encourage public-private partnerships for the financing of school construction and expansion, and

(2) to help local educational agencies bring all public school facilities up to an acceptable standard and build the additional classrooms needed to educate the growing number of students who will enroll in the next decade.

SEC. 4. CREDIT TO HOLDERS OF SCHOOL CONSTRUCTION BONDS.

(a) IN GENERAL.—Subpart D of part IV of subchapter A of chapter 1 of the Internal Revenue Code of 1986 (relating to business-related credits) is amended by adding at the end the following new section:

"SEC. 45D. CREDIT TO HOLDERS OF SCHOOL CONSTRUCTION BONDS.

''(a) ALLOWANCE OF CREDIT.—In the case of an eligible taxpayer who holds a school construction bond on the credit allowance date of such bond which occurs during the taxable year, there shall be allowed as a credit against the tax imposed by this chapter for such taxable year the amount determined under subsection (b).

''(b) AMOUNT OF CREDIT.—The amount of the credit determined under this subsection with respect to any school construction bond is the amount equal to the product of—

''(1) the credit rate determined by the Secretary under section 1397E(b)(2) for the month in which such bond was issued, multiplied by

''(2) the face amount of the bond held by the taxpayer on the credit allowance date.

''(c) LIMITATION BASED ON AMOUNT OF TAX.—The credit allowed under subsection (a) for any taxable year shall not exceed the excess of—

"(1) the sum of the regular tax liability (as defined in section 26(b)) plus the tax imposed by section 55, over

"(2) the sum of the credits allowable under this part (other than under this section and subpart C thereof, relating to refundable credits) and section 1397E.

"(d) SCHOOL CONSTRUCTION BOND.—For purposes of this section—

"(1) IN GENERAL.—The term 'school construction bond' means any bond issued as part of an issue if—

"(A) 95 percent or more of the proceeds of such issue are to be used for a qualified purpose with respect to a new qualified school established by an eligible local education agency,

"(B) the bond is issued by a State or local government within the jurisdiction of which such school is located,

"(C) the issuer—

"(i) designates such bond for purposes of this section,

"(ii) certifies that it has written assurances that the private business contribution requirement of paragraph (2) will be met with respect to such school, and

"(iii) certifies that it has the written approval of the eligible local education agency for such bond issuance, and

"(D) the term of each bond which is part of such issue does not exceed the maximum term permitted under section 1397E(d)(3).

"(2) PRIVATE BUSINESS CONTRIBUTION REQUIREMENT.—

"(A) IN GENERAL.—For purposes of paragraph (1), the private business contribution requirement of this paragraph is met with respect to any issue if the eligible local education agency that established the qualified school has written commitments from private entities to make qualified contributions having a present value (as of the date of issuance of the issue) of not less than 10 percent of the proceeds of the issue.

"(B) QUALIFIED CONTRIBUTIONS.—For purposes of subparagraph (A), the term 'qualified contribution' means any contribution (of a type and quality acceptable to the eligible local education agency) of—

"(i) equipment for use in the qualified school (including state-of-the-art technology and vocational equipment),

"(ii) technical assistance in developing curriculum or in training teachers in order to promote appropriate market driven technology in the classroom,

"(iii) services of employees as volunteer mentors,

"(iv) internships, field trips, or other educational opportunities outside the school for students, or

"(v) any other property or service specified by the eligible local education agency.

"(3) QUALIFIED SCHOOL.—

"(A) IN GENERAL.—The term 'qualified school' means any public school which is established by and operated under the supervision of an eligible local education agency to provide education or training below the postsecondary level if—

"(i) such public school is designed in cooperation with business to enhance the academic curriculum, increase graduation and employment rates, and better prepare students for the rigors of college and the increasingly complex workforce,

"(ii) students in such public school will be subject to the same academic standards and assessments as other students educated by the local education agency,

"(iii) a well-structured program to alleviate overcrowding and to improve students' education has been constructed and implemented in the opinion of the Secretary of Education, and

"(iv) at least 2 of the following requirements are met:

"(I) There is a reasonable expectation (as of the date of issuance of the bonds) that at least 35 percent of the population attending the such public school will be eligible for free or reduced-cost lunches under the school lunch program established under the National School Lunch Act.

"(II) There is a reasonable expectation (as of the date of issuance of the bonds) that the student growth rate over the next 5 years for the school district in which such public school is to be located will be at least 10 percent.

"(III) The average student-teacher ratio for such district as of the date of issuance of the bonds is at least 28 to 1.

"(B) ELIGIBLE LOCAL EDUCATION AGENCY.—The term 'eligible local education agency' means any local educational agency as defined in section 14101 of the Elementary and Secondary Education Act of 1965.

"(4) QUALIFIED PURPOSE.—

"(A) IN GENERAL.—The term 'qualified purpose' means, with respect to any qualified school—

"(i) constructing a new school facility, and

"(ii) providing equipment for use at such facility.

"(B) SCHOOL FACILITY.—The term 'school facility' means a new public structure suitable for use as a classroom, laboratory, library, media center, or related facility whose primary purpose is the instruction of public elementary or secondary students. Such term does not include an athletic stadium, or any other structure or facility intended primarily for athletic exhibitions, contests, games, or events for which admission is charged to the general public.

"(5) ELIGIBLE TAXPAYER.—The term 'eligible taxpayer' means—

"(A) a bank (within the meaning of section 581),

"(B) an insurance company to which subchapter L applies, and

"(C) a corporation actively engaged in the business of lending money.

"(e) LIMITATION ON AMOUNT OF BONDS DESIGNATED.—

"(1) NATIONAL LIMITATION.—There is a national school construction bond limitation for each calendar year. Such limitation is $400,000,000 for 1998 and 1999, and, except for carryovers as provided under the rules applicable under paragraph (2), zero thereafter.

"(2) ALLOCATION OF LIMITATION.—The national school construction bond limitation for a calendar year shall be allocated by the Secretary among the States on the basis of their respective populations of individuals below the poverty line (as defined by the Office of Management and Budget). The limitation amount allocated to a State under the preceding sentence shall be allocated by the Secretary of Education to qualified schools within such State.

"(3) DESIGNATION SUBJECT TO LIMITATION AMOUNT.—The maximum aggregate face amount of bonds issued during any calendar year which may be designated under subsection (d)(1) with respect to any qualified school shall not exceed the limitation amount allocated to such school under paragraph (2) for such calendar year.

"(4) CARRYOVER OF UNUSED LIMITATION.—If for any calendar year—

"(A) the limitation amount for any State, exceeds

"(B) the amount of bonds issued during such year which are designated under subsection (d)(1) with respect to qualified schools within such State,

the limitation amount for such State for the following calendar year shall be increased by the amount of such excess.

"(f) OTHER DEFINITIONS.—The definitions in subsections (d)(6) and (f) of section 1397E shall apply for purposes of this section.

"(g) CREDIT INCLUDED IN GROSS INCOME.—Gross income includes the amount of the credit allowed to the taxpayer under this section."

(b) CONFORMING AMENDMENT.—The table of sections for subpart D of part IV of subchapter A of chapter 1 of such Code is amended by adding at the end the following new item:

"Sec. 45D. Credit to holders of school construction bonds."

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to obligations issued after December 31, 1997.

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