

106TH CONGRESS
2D SESSION

H. R. 4094

To amend the Internal Revenue Code of 1986 to expand the incentives
for the construction and renovation of public schools.

IN THE HOUSE OF REPRESENTATIVES

MARCH 28, 2000

Mrs. JOHNSON of Connecticut (for herself, Mr. RANGEL, Mr. HOUGHTON, Mr. STARK, Mr. MATSUI, Mr. COYNE, Mr. LEVIN, Mr. CARDIN, Mr. McDERMOTT, Mr. KLECZKA, Mr. LEWIS of Georgia, Mr. NEAL of Massachusetts, Mr. McNULTY, Mr. BECERRA, Mrs. THURMAN, Mrs. MORELLA, Mr. GEPHARDT, Mr. GILCHREST, Mr. BONIOR, Mr. GILMAN, Mr. TRAFICANT, Mr. QUINN, Mr. DOYLE, Mr. NEY, Mr. CAPUANO, Mr. HORN, Mr. MEEKS of New York, Mr. LEACH, Mr. FORBES, Mr. BOEHLERT, Mr. BALDACCI, Mr. EHLERS, Mr. FATTAH, Mrs. KELLY, Mr. ENGEL, Mr. McHUGH, Mrs. LOWEY, Mr. FRANKS of New Jersey, Mrs. CAPPS, Mr. WALSH, Mrs. MALONEY of New York, Mr. SAXTON, Mr. BARCIA, Mr. CROWLEY, Mr. CONYERS, Mrs. CLAYTON, Mr. FARR of California, Mrs. TAUSCHER, Mr. BLAGOJEVICH, Mr. NADLER, Mr. MOAKLEY, Mr. HINCHEY, Mr. PASTOR, Mrs. MCCARTHY of New York, Mr. ABERCROMBIE, Mr. BROWN of Ohio, Ms. VELAZQUEZ, Mr. SKELTON, Mr. WEINER, Mr. ETHERIDGE, Mrs. CHRISTENSEN, Mr. DIXON, Mr. MASCARA, Mr. OBERSTAR, Mr. PALLONE, Mr. BISHOP, Mr. SANDLIN, Mr. FRANK of Massachusetts, Ms. JACKSON-LEE of Texas, Ms. ROYBAL-ALLARD, Ms. LOFGREN, Ms. WOOLSEY, Mr. TIERNEY, Mr. FILNER, Mr. BORSKI, Mr. FROST, Mr. PAYNE, Mrs. NAPOLITANO, Mr. BACA, Mr. BLUMENAUER, Mr. WEYGAND, Ms. WATERS, Mr. OWENS, Mrs. JONES of Ohio, Mr. KENNEDY of Rhode Island, Ms. NORTON, Mr. WAXMAN, Mr. DINGELL, Mr. STRICKLAND, Ms. SANCHEZ, Mr. LANTOS, Mr. ALLEN, Mr. BAIRD, Mr. BARRETT of Wisconsin, Mr. BERMAN, Ms. CARSON, Mr. DEUTSCH, Mr. GREEN of Texas, Mr. HOYER, Mr. SNYDER, Mr. SHERMAN, Mr. TOWNS, Mr. REYES, Mr. MALONEY of Connecticut, Mr. KILDEE, Ms. SCHAKOWSKY, Mr. WU, Mr. CLAY, Mrs. MEEK of Florida, Mr. ACKERMAN, Mr. MCGOVERN, Mr. MENENDEZ, Mr. MCINTYRE, Mr. JEFFERSON, Mr. POMEROY, and Ms. BERKLEY) introduced the following bill; which was referred to the Committee on Ways and Means, and in addition to the Committee on Education and the Workforce, for a period to be subsequently determined by the Speaker, in each case for consideration of such provisions as fall within the jurisdiction of the committee concerned

A BILL

To amend the Internal Revenue Code of 1986 to expand the incentives for the construction and renovation of public schools.

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 “America’s Better Classroom Act of 2000”.

SEC. 2. EXPANSION OF INCENTIVES FOR PUBLIC SCHOOLS.

(a) IN GENERAL.—Chapter 1 of the Internal Revenue Code of 1986 is amended by adding at the end the following new subchapter:

“Subchapter X—Public School Modernization Provisions

“Sec. 1400F. Credit to holders of qualified public school modernization bonds.

“Sec. 1400G. Qualified school construction bonds.

“Sec. 1400H. Qualified zone academy bonds.

“SEC. 1400F. CREDIT TO HOLDERS OF QUALIFIED PUBLIC SCHOOL MODERNIZATION BONDS.

“(a) ALLOWANCE OF CREDIT.—In the case of a taxpayer who holds a qualified public school modernization bond on a 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 an amount equal to the sum of the credits determined

1 under subsection (b) with respect to credit allowance dates
2 during such year on which the taxpayer holds such bond.

3 “(b) AMOUNT OF CREDIT.—

4 “(1) IN GENERAL.—The amount of the credit
5 determined under this subsection with respect to any
6 credit allowance date for a qualified public school
7 modernization bond is 25 percent of the annual
8 credit determined with respect to such bond.

9 “(2) ANNUAL CREDIT.—The annual credit de-
10 termined with respect to any qualified public school
11 modernization bond is the product of—

12 “(A) the applicable credit rate, multiplied
13 by

14 “(B) the outstanding face amount of the
15 bond.

16 “(3) APPLICABLE CREDIT RATE.—For purposes
17 of paragraph (1), the applicable credit rate with re-
18 spect to an issue is the rate equal to an average
19 market yield (as of the day before the date of
20 issuance of the issue) on outstanding long-term cor-
21 porate debt obligations (determined under regula-
22 tions prescribed by the Secretary).

23 “(4) SPECIAL RULE FOR ISSUANCE AND RE-
24 DEMPTION.—In the case of a bond which is issued
25 during the 3-month period ending on a credit allow-

1 ance date, the amount of the credit determined
2 under this subsection with respect to such credit al-
3 lowance date shall be a ratable portion of the credit
4 otherwise determined based on the portion of the 3-
5 month period during which the bond is outstanding.
6 A similar rule shall apply when the bond is re-
7 deemed.

8 “(c) LIMITATION BASED ON AMOUNT OF TAX.—

9 “(1) IN GENERAL.—The credit allowed under
10 subsection (a) for any taxable year shall not exceed
11 the excess of—

12 “(A) the sum of the regular tax liability
13 (as defined in section 26(b)) plus the tax im-
14 posed by section 55, over

15 “(B) the sum of the credits allowable
16 under part IV of subchapter A (other than sub-
17 part C thereof, relating to refundable credits).

18 “(2) CARRYOVER OF UNUSED CREDIT.—If the
19 credit allowable under subsection (a) exceeds the
20 limitation imposed by paragraph (1) for such taxable
21 year, such excess shall be carried to the succeeding
22 taxable year and added to the credit allowable under
23 subsection (a) for such taxable year.

1 “(d) QUALIFIED PUBLIC SCHOOL MODERNIZATION
2 BOND; CREDIT ALLOWANCE DATE.—For purposes of this
3 section—

4 “(1) QUALIFIED PUBLIC SCHOOL MODERNIZA-
5 TION BOND.—The term ‘qualified public school mod-
6 ernization bond’ means—

7 “(A) a qualified zone academy bond, and

8 “(B) a qualified school construction bond.

9 “(2) CREDIT ALLOWANCE DATE.—The term
10 ‘credit allowance date’ means—

11 “(A) March 15,

12 “(B) June 15,

13 “(C) September 15, and

14 “(D) December 15.

15 Such term includes the last day on which the bond
16 is outstanding.

17 “(e) OTHER DEFINITIONS.—For purposes of this
18 subchapter—

19 “(1) LOCAL EDUCATIONAL AGENCY.—The term
20 ‘local educational agency’ has the meaning given to
21 such term by section 14101 of the Elementary and
22 Secondary Education Act of 1965. Such term in-
23 cludes the local educational agency that serves the
24 District of Columbia but does not include any other
25 State agency.

1 “(2) BOND.—The term ‘bond’ includes any ob-
2 ligation.

3 “(3) STATE.—The term ‘State’ includes the
4 District of Columbia and any possession of the
5 United States.

6 “(4) PUBLIC SCHOOL FACILITY.—The term
7 ‘public school facility’ shall not include—

8 “(A) any stadium or other facility pri-
9 marily used for athletic contests or exhibitions
10 or other events for which admission is charged
11 to the general public, or

12 “(B) any facility which is not owned by a
13 State or local government or any agency or in-
14 strumentality of a State or local government.

15 “(f) CREDIT INCLUDED IN GROSS INCOME.—Gross
16 income includes the amount of the credit allowed to the
17 taxpayer under this section (determined without regard to
18 subsection (c)) and the amount so included shall be treat-
19 ed as interest income.

20 “(g) BONDS HELD BY REGULATED INVESTMENT
21 COMPANIES.—If any qualified public school modernization
22 bond is held by a regulated investment company, the credit
23 determined under subsection (a) shall be allowed to share-
24 holders of such company under procedures prescribed by
25 the Secretary.

1 “(h) CREDITS MAY BE STRIPPED.—Under regula-
2 tions prescribed by the Secretary—

3 “(1) IN GENERAL.—There may be a separation
4 (including at issuance) of the ownership of a quali-
5 fied public school modernization bond and the enti-
6 tlement to the credit under this section with respect
7 to such bond. In case of any such separation, the
8 credit under this section shall be allowed to the per-
9 son who on the credit allowance date holds the in-
10 strument evidencing the entitlement to the credit
11 and not to the holder of the bond.

12 “(2) CERTAIN RULES TO APPLY.—In the case
13 of a separation described in paragraph (1), the rules
14 of section 1286 shall apply to the qualified public
15 school modernization bond as if it were a stripped
16 bond and to the credit under this section as if it
17 were a stripped coupon.

18 “(i) TREATMENT FOR ESTIMATED TAX PURPOSES.—
19 Solely for purposes of sections 6654 and 6655, the credit
20 allowed by this section to a taxpayer by reason of holding
21 a qualified public school modernization bonds on a credit
22 allowance date shall be treated as if it were a payment
23 of estimated tax made by the taxpayer on such date.

24 “(j) CREDIT MAY BE TRANSFERRED.—Nothing in
25 any law or rule of law shall be construed to limit the trans-

1 ferability of the credit allowed by this section through sale
 2 and repurchase agreements.

3 “(k) REPORTING.—Issuers of qualified public school
 4 modernization bonds shall submit reports similar to the
 5 reports required under section 149(e).

6 “(l) TERMINATION.—This section shall not apply to
 7 any bond issued after September 30, 2005.

8 **“SEC. 1400G. QUALIFIED SCHOOL CONSTRUCTION BONDS.**

9 “(a) QUALIFIED SCHOOL CONSTRUCTION BOND.—
 10 For purposes of this subchapter, the term ‘qualified school
 11 construction bond’ means any bond issued as part of an
 12 issue if—

13 “(1) 95 percent or more of the proceeds of such
 14 issue are to be used for the construction, rehabilita-
 15 tion, or repair of a public school facility or for the
 16 acquisition of land on which such a facility is to be
 17 constructed with part of the proceeds of such issue,

18 “(2) the bond is issued by a State or local gov-
 19 ernment within the jurisdiction of which such school
 20 is located,

21 “(3) the issuer designates such bond for pur-
 22 poses of this section, and

23 “(4) the term of each bond which is part of
 24 such issue does not exceed 15 years.

1 “(b) LIMITATION ON AMOUNT OF BONDS DES-
 2 IGNATED.—The maximum aggregate face amount of
 3 bonds issued during any calendar year which may be des-
 4 ignated under subsection (a) by any issuer shall not exceed
 5 the sum of—

6 “(1) the limitation amount allocated under sub-
 7 section (d) for such calendar year to such issuer,
 8 and

9 “(2) if such issuer is a large local educational
 10 agency (as defined in subsection (e)(4)) or is issuing
 11 on behalf of such an agency, the limitation amount
 12 allocated under subsection (e) for such calendar year
 13 to such agency.

14 “(c) NATIONAL LIMITATION ON AMOUNT OF BONDS
 15 DESIGNATED.—There is a national qualified school con-
 16 struction bond limitation for each calendar year. Such lim-
 17 itation is—

18 “(1) \$11,000,000,000 for 2001,

19 “(2) \$11,000,000,000 for 2002, and

20 “(3) except as provided in subsection (f), zero
 21 after 2002.

22 “(d) 60 PERCENT OF LIMITATION ALLOCATED
 23 AMONG STATES.—

24 “(1) IN GENERAL.—60 percent of the limitation
 25 applicable under subsection (c) for any calendar year

1 shall be allocated by the Secretary among the States
2 in proportion to the respective numbers of children
3 in each State who have attained age 5 but not age
4 18 for the most recent fiscal year ending before such
5 calendar year. The limitation amount allocated to a
6 State under the preceding sentence shall be allocated
7 by the State to issuers within such State and such
8 allocations may be made only if there is an approved
9 State application.

10 “(2) MINIMUM ALLOCATIONS TO STATES.—

11 “(A) IN GENERAL.—The Secretary shall
12 adjust the allocations under this subsection for
13 any calendar year for each State to the extent
14 necessary to ensure that the sum of—

15 “(i) the amount allocated to such
16 State under this subsection for such year,
17 and

18 “(ii) the aggregate amounts allocated
19 under subsection (e) to large local edu-
20 cational agencies in such State for such
21 year,

22 is not less than an amount equal to such
23 State’s minimum percentage of the amount to
24 be allocated under paragraph (1) for the cal-
25 endar year.

1 “(B) MINIMUM PERCENTAGE.—A State’s
2 minimum percentage for any calendar year is
3 the minimum percentage described in section
4 1124(d) of the Elementary and Secondary Edu-
5 cation Act of 1965 (20 U.S.C. 6334(d)) for
6 such State for the most recent fiscal year end-
7 ing before such calendar year.

8 “(3) ALLOCATIONS TO CERTAIN POSSES-
9 SIONS.—The amount to be allocated under para-
10 graph (1) to any possession of the United States
11 other than Puerto Rico shall be the amount which
12 would have been allocated if all allocations under
13 paragraph (1) were made on the basis of respective
14 populations of individuals below the poverty line (as
15 defined by the Office of Management and Budget).
16 In making other allocations, the amount to be allo-
17 cated under paragraph (1) shall be reduced by the
18 aggregate amount allocated under this paragraph to
19 possessions of the United States.

20 “(4) ALLOCATIONS FOR INDIAN SCHOOLS.—In
21 addition to the amounts otherwise allocated under
22 this subsection, \$200,000,000 for calendar year
23 2001, and \$200,000,000 for calendar year 2002,
24 shall be allocated by the Secretary of the Interior for
25 purposes of the construction, rehabilitation, and re-

1 pair of schools funded by the Bureau of Indian Af-
2 fairs. In the case of amounts allocated under the
3 preceding sentence, Indian tribal governments (as
4 defined in section 7871) shall be treated as qualified
5 issuers for purposes of this subchapter.

6 “(5) APPROVED STATE APPLICATION.—For
7 purposes of paragraph (1), the term ‘approved State
8 application’ means an application which is approved
9 by the Secretary of Education and which includes—

10 “(A) the results of a recent publicly-avail-
11 able survey (undertaken by the State with the
12 involvement of local education officials, mem-
13 bers of the public, and experts in school con-
14 struction and management) of such State’s
15 needs for public school facilities, including de-
16 scriptions of—

17 “(i) health and safety problems at
18 such facilities,

19 “(ii) the capacity of public schools in
20 the State to house projected enrollments,
21 and

22 “(iii) the extent to which the public
23 schools in the State offer the physical in-
24 frastructure needed to provide a high-qual-
25 ity education to all students, and

1 “(B) a description of how the State will al-
2 locate to local educational agencies, or other-
3 wise use, its allocation under this subsection to
4 address the needs identified under subpara-
5 graph (A), including a description of how it
6 will—

7 “(i) ensure that the needs of both
8 rural and urban areas will be recognized,

9 “(ii) give highest priority to localities
10 with the greatest needs, as demonstrated
11 by inadequate school facilities coupled with
12 a low level of resources to meet those
13 needs,

14 “(iii) use its allocation under this sub-
15 section to assist localities that lack the fis-
16 cal capacity to issue bonds on their own,
17 and

18 “(iv) ensure that its allocation under
19 this subsection is used only to supplement,
20 and not supplant, the amount of school
21 construction, rehabilitation, and repair in
22 the State that would have occurred in the
23 absence of such allocation.

24 Any allocation under paragraph (1) by a State shall
25 be binding if such State reasonably determined that

1 the allocation was in accordance with the plan ap-
2 proved under this paragraph.

3 “(e) 40 PERCENT OF LIMITATION ALLOCATED
4 AMONG LARGEST SCHOOL DISTRICTS.—

5 “(1) IN GENERAL.—40 percent of the limitation
6 applicable under subsection (c) for any calendar year
7 shall be allocated under paragraph (2) by the Sec-
8 retary among local educational agencies which are
9 large local educational agencies for such year. No
10 qualified school construction bond may be issued by
11 reason of an allocation to a large local educational
12 agency under the preceding sentence unless such
13 agency has an approved local application.

14 “(2) ALLOCATION FORMULA.—The amount to
15 be allocated under paragraph (1) for any calendar
16 year shall be allocated among large local educational
17 agencies in proportion to the respective amounts
18 each such agency received for Basic Grants under
19 subpart 2 of part A of title I of the Elementary and
20 Secondary Education Act of 1965 (20 U.S.C. 6331
21 et seq.) for the most recent fiscal year ending before
22 such calendar year.

23 “(3) ALLOCATION OF UNUSED LIMITATION TO
24 STATE.—The amount allocated under this subsection
25 to a large local educational agency for any calendar

1 year may be reallocated by such agency to the State
2 in which such agency is located for such calendar
3 year. Any amount reallocated to a State under the
4 preceding sentence may be allocated as provided in
5 subsection (d)(1).

6 “(4) LARGE LOCAL EDUCATIONAL AGENCY.—
7 For purposes of this section, the term ‘large local
8 educational agency’ means, with respect to a cal-
9 endar year, any local educational agency if such
10 agency is—

11 “(A) among the 100 local educational
12 agencies with the largest numbers of children
13 aged 5 through 17 from families living below
14 the poverty level, as determined by the Sec-
15 retary using the most recent data available
16 from the Department of Commerce that are
17 satisfactory to the Secretary, or

18 “(B) 1 of not more than 25 local edu-
19 cational agencies (other than those described in
20 subparagraph (A)) that the Secretary of Edu-
21 cation determines (based on the most recent
22 data available satisfactory to the Secretary) are
23 in particular need of assistance, based on a low
24 level of resources for school construction, a high

1 level of enrollment growth, or such other factors
2 as the Secretary deems appropriate.

3 “(5) APPROVED LOCAL APPLICATION.—For
4 purposes of paragraph (1), the term ‘approved local
5 application’ means an application which is approved
6 by the Secretary of Education and which includes—

7 “(A) the results of a recent publicly-avail-
8 able survey (undertaken by the local educational
9 agency or the State with the involvement of
10 school officials, members of the public, and ex-
11 perts in school construction and management)
12 of such agency’s needs for public school facili-
13 ties, including descriptions of—

14 “(i) the overall condition of the local
15 educational agency’s school facilities, in-
16 cluding health and safety problems,

17 “(ii) the capacity of the agency’s
18 schools to house projected enrollments, and

19 “(iii) the extent to which the agency’s
20 schools offer the physical infrastructure
21 needed to provide a high-quality education
22 to all students,

23 “(B) a description of how the local edu-
24 cational agency will use its allocation under this

1 subsection to address the needs identified under
 2 subparagraph (A), and

3 “(C) a description of how the local edu-
 4 cational agency will ensure that its allocation
 5 under this subsection is used only to supple-
 6 ment, and not supplant, the amount of school
 7 construction, rehabilitation, or repair in the lo-
 8 cality that would have occurred in the absence
 9 of such allocation.

10 A rule similar to the rule of the last sentence of sub-
 11 section (d)(6) shall apply for purposes of this para-
 12 graph.

13 “(f) CARRYOVER OF UNUSED LIMITATION.—If for
 14 any calendar year—

15 “(1) the amount allocated under subsection (d)
 16 to any State, exceeds

17 “(2) the amount of bonds issued during such
 18 year which are designated under subsection (a) pur-
 19 suant to such allocation,

20 the limitation amount under such subsection for such
 21 State for the following calendar year shall be increased
 22 by the amount of such excess. A similar rule shall apply
 23 to the amounts allocated under subsection (d)(5) or (e).

24 “(g) SPECIAL RULES RELATING TO ARBITRAGE.—

1 “(1) IN GENERAL.—A bond shall not be treated
2 as failing to meet the requirement of subsection
3 (a)(1) solely by reason of the fact that the proceeds
4 of the issue of which such bond is a part are in-
5 vested for a temporary period (but not more than 36
6 months) until such proceeds are needed for the pur-
7 pose for which such issue was issued.

8 “(2) BINDING COMMITMENT REQUIREMENT.—
9 Paragraph (1) shall apply to an issue only if, as of
10 the date of issuance, there is a reasonable expecta-
11 tion that—

12 “(A) at least 10 percent of the proceeds of
13 the issue will be spent within the 6-month pe-
14 riod beginning on such date for the purpose for
15 which such issue was issued, and

16 “(B) the remaining proceeds of the issue
17 will be spent with due diligence for such pur-
18 pose.

19 “(3) EARNINGS ON PROCEEDS.—Any earnings
20 on proceeds during the temporary period shall be
21 treated as proceeds of the issue for purposes of ap-
22 plying subsection (a)(1) and paragraph (1) of this
23 subsection.

1 **“SEC. 1400H. QUALIFIED ZONE ACADEMY BONDS.**

2 “(a) QUALIFIED ZONE ACADEMY BOND.—For pur-
3 poses of this subchapter—

4 “(1) IN GENERAL.—The term ‘qualified zone
5 academy bond’ means any bond issued as part of an
6 issue if—

7 “(A) 95 percent or more of the proceeds of
8 such issue are to be used for a qualified pur-
9 pose with respect to a qualified zone academy
10 established by a local educational agency,

11 “(B) the bond is issued by a State or local
12 government within the jurisdiction of which
13 such academy is located,

14 “(C) the issuer—

15 “(i) designates such bond for purposes
16 of this section,

17 “(ii) certifies that it has written as-
18 surances that the private business con-
19 tribution requirement of paragraph (2) will
20 be met with respect to such academy, and

21 “(iii) certifies that it has the written
22 approval of the local educational agency
23 for such bond issuance, and

24 “(D) the term of each bond which is part
25 of such issue does not exceed 15 years.

1 Rules similar to the rules of section 1400G(g) shall
2 apply for purposes of paragraph (1).

3 “(2) PRIVATE BUSINESS CONTRIBUTION RE-
4 QUIREMENT.—

5 “(A) IN GENERAL.—For purposes of para-
6 graph (1), the private business contribution re-
7 quirement of this paragraph is met with respect
8 to any issue if the local educational agency that
9 established the qualified zone academy has writ-
10 ten commitments from private entities to make
11 qualified contributions having a present value
12 (as of the date of issuance of the issue) of not
13 less than 10 percent of the proceeds of the
14 issue.

15 “(B) QUALIFIED CONTRIBUTIONS.—For
16 purposes of subparagraph (A), the term ‘quali-
17 fied contribution’ means any contribution (of a
18 type and quality acceptable to the local edu-
19 cational agency) of—

20 “(i) equipment for use in the qualified
21 zone academy (including state-of-the-art
22 technology and vocational equipment),

23 “(ii) technical assistance in developing
24 curriculum or in training teachers in order

1 to promote appropriate market driven tech-
2 nology in the classroom,

3 “(iii) services of employees as volun-
4 teer mentors,

5 “(iv) internships, field trips, or other
6 educational opportunities outside the acad-
7 emy for students, or

8 “(v) any other property or service
9 specified by the local educational agency.

10 “(3) QUALIFIED ZONE ACADEMY.—The term
11 ‘qualified zone academy’ means any public school (or
12 academic program within a public school) which is
13 established by and operated under the supervision of
14 a local educational agency to provide education or
15 training below the postsecondary level if—

16 “(A) such public school or program (as the
17 case may be) is designed in cooperation with
18 business to enhance the academic curriculum,
19 increase graduation and employment rates, and
20 better prepare students for the rigors of college
21 and the increasingly complex workforce,

22 “(B) students in such public school or pro-
23 gram (as the case may be) will be subject to the
24 same academic standards and assessments as

1 other students educated by the local educational
2 agency,

3 “(C) the comprehensive education plan of
4 such public school or program is approved by
5 the local educational agency, and

6 “(D)(i) such public school is located in an
7 empowerment zone or enterprise community
8 (including any such zone or community des-
9 ignated after the date of the enactment of this
10 section), or

11 “(ii) there is a reasonable expectation (as
12 of the date of issuance of the bonds) that at
13 least 35 percent of the students attending such
14 school or participating in such program (as the
15 case may be) will be eligible for free or reduced-
16 cost lunches under the school lunch program es-
17 tablished under the National School Lunch Act.

18 “(4) QUALIFIED PURPOSE.—The term ‘quali-
19 fied purpose’ means, with respect to any qualified
20 zone academy—

21 “(A) constructing, rehabilitating, or repair-
22 ing the public school facility in which the acad-
23 emy is established,

1 “(B) acquiring the land on which such fa-
 2 cility is to be constructed with part of the pro-
 3 ceeds of such issue,

4 “(C) providing equipment for use at such
 5 academy,

6 “(D) developing course materials for edu-
 7 cation to be provided at such academy, and

8 “(E) training teachers and other school
 9 personnel in such academy.

10 “(b) LIMITATIONS ON AMOUNT OF BONDS DES-
 11 IGNATED.—

12 “(1) IN GENERAL.—There is a national zone
 13 academy bond limitation for each calendar year.
 14 Such limitation is—

15 “(A) \$400,000,000 for 1998,

16 “(B) \$400,000,000 for 1999,

17 “(C) \$400,000,000 for 2000,

18 “(D) \$1,400,000,000 for 2001,

19 “(E) \$1,400,000,000 for 2002, and

20 “(F) except as provided in paragraph (3),
 21 zero after 2002.

22 “(2) ALLOCATION OF LIMITATION.—

23 “(A) ALLOCATION AMONG STATES.—

24 “(i) 1998, 1999, and 2000 LIMITA-
 25 TIONS.—The national zone academy bond

1 limitations for calendar years 1998, 1999,
2 and 2000 shall be allocated by the Sec-
3 retary among the States on the basis of
4 their respective populations of individuals
5 below the poverty line (as defined by the
6 Office of Management and Budget).

7 “(ii) LIMITATION AFTER 2000.—The
8 national zone academy bond limitation for
9 any calendar year after 2000 shall be allo-
10 cated by the Secretary among the States in
11 proportion to the respective amounts each
12 such State received for Basic Grants under
13 subpart 2 of part A of title I of the Ele-
14 mentary and Secondary Education Act of
15 1965 (20 U.S.C. 6331 et seq.) for the
16 most recent fiscal year ending before such
17 calendar year.

18 “(B) ALLOCATION TO LOCAL EDU-
19 CATIONAL AGENCIES.—The limitation amount
20 allocated to a State under subparagraph (A)
21 shall be allocated by the State to qualified zone
22 academies within such State.

23 “(C) DESIGNATION SUBJECT TO LIMITA-
24 TION AMOUNT.—The maximum aggregate face
25 amount of bonds issued during any calendar

1 year which may be designated under subsection
 2 (a) with respect to any qualified zone academy
 3 shall not exceed the limitation amount allocated
 4 to such academy under subparagraph (B) for
 5 such calendar year.

6 “(3) CARRYOVER OF UNUSED LIMITATION.—If
 7 for any calendar year—

8 “(A) the limitation amount under this sub-
 9 section for any State, exceeds

10 “(B) the amount of bonds issued during
 11 such year which are designated under sub-
 12 section (a) (or the corresponding provisions of
 13 prior law) with respect to qualified zone acad-
 14 emies within such State,

15 the limitation amount under this subsection for such
 16 State for the following calendar year shall be in-
 17 creased by the amount of such excess.”

18 (b) REPORTING.—Subsection (d) of section 6049 of
 19 such Code (relating to returns regarding payments of in-
 20 terest) is amended by adding at the end the following new
 21 paragraph:

22 “(8) REPORTING OF CREDIT ON QUALIFIED
 23 PUBLIC SCHOOL MODERNIZATION BONDS.—

24 “(A) IN GENERAL.—For purposes of sub-
 25 section (a), the term ‘interest’ includes amounts

1 includible in gross income under section
 2 1400F(f) and such amounts shall be treated as
 3 paid on the credit allowance date (as defined in
 4 section 1400F(d)(2)).

5 “(B) REPORTING TO CORPORATIONS,
 6 ETC.—Except as otherwise provided in regula-
 7 tions, in the case of any interest described in
 8 subparagraph (A) of this paragraph, subsection
 9 (b)(4) of this section shall be applied without
 10 regard to subparagraphs (A), (H), (I), (J), (K),
 11 and (L)(i).

12 “(C) REGULATORY AUTHORITY.—The Sec-
 13 retary may prescribe such regulations as are
 14 necessary or appropriate to carry out the pur-
 15 poses of this paragraph, including regulations
 16 which require more frequent or more detailed
 17 reporting.”

18 (c) CONFORMING AMENDMENTS.—

19 (1) Subchapter U of chapter 1 of such Code is
 20 amended by striking part IV, by redesignating part
 21 V as part IV, and by redesignating section 1397F
 22 as section 1397E.

23 (2) The table of subchapters for chapter 1 of
 24 such Code is amended by adding at the end the fol-
 25 lowing new item:

“Subchapter X. Public school modernization provisions.”

1 (3) The table of parts of subchapter U of chap-
 2 ter 1 of such Code is amended by striking the last
 3 2 items and inserting the following item:

 “Part IV. Regulations.”

4 (e) EFFECTIVE DATES.—

5 (1) IN GENERAL.—Except as otherwise pro-
 6 vided in this subsection, the amendments made by
 7 this section shall apply to obligations issued after
 8 December 31, 2000.

9 (2) REPEAL OF RESTRICTION ON ZONE ACAD-
 10 EMY BOND HOLDERS.—In the case of bonds to
 11 which section 1397E of the Internal Revenue Code
 12 of 1986 (as in effect before the date of the enact-
 13 ment of this Act) applies, the limitation of such sec-
 14 tion to eligible taxpayers (as defined in subsection
 15 (d)(6) of such section) shall not apply after the date
 16 of the enactment of this Act.

17 **SEC. 3. APPLICATION OF CERTAIN LABOR STANDARDS ON**
 18 **CONSTRUCTION PROJECTS FINANCED**
 19 **UNDER PUBLIC SCHOOL MODERNIZATION**
 20 **PROGRAM.**

21 Section 439 of the General Education Provisions Act
 22 (relating to labor standards) is amended—

23 (1) by inserting “(a)” before “All laborers and
 24 mechanics”, and

25 (2) by adding at the end the following:

1 “(b)(1) For purposes of this section, the term ‘appli-
2 cable program’ also includes the qualified zone academy
3 bond provisions enacted by section 226 of the Taxpayer
4 Relief Act of 1997 and the program established by section
5 2 of the America’s Better Classroom Act of 2000.

6 “(2) A State or local government participating in a
7 program described in paragraph (1) shall—

8 “(A) in the awarding of contracts, give priority
9 to contractors with substantial numbers of employ-
10 ees residing in the local education area to be served
11 by the school being constructed; and

12 “(B) include in the construction contract for
13 such school a requirement that the contractor give
14 priority in hiring new workers to individuals residing
15 in such local education area.

16 “(3) In the case of a program described in paragraph
17 (1), nothing in this subsection or subsection (a) shall be
18 construed to deny any tax credit allowed under such pro-
19 gram. If amounts are required to be withheld from con-
20 tractors to pay wages to which workers are entitled, such
21 amounts shall be treated as expended for construction pur-
22 poses in determining whether the requirements of such
23 program are met.”.

1 **SEC. 4. EMPLOYMENT AND TRAINING ACTIVITIES RELAT-**
2 **ING TO CONSTRUCTION OR RECONSTRUC-**
3 **TION OF PUBLIC SCHOOL FACILITIES.**

4 (a) IN GENERAL.—Section 134 of the Workforce In-
5 vestment Act of 1998 (29 U.S.C. 2864) is amended by
6 adding at the end the following:

7 “(f) LOCAL EMPLOYMENT AND TRAINING ACTIVI-
8 TIES RELATING TO CONSTRUCTION OR RECONSTRUCTION
9 OF PUBLIC SCHOOL FACILITIES.—

10 “(1) IN GENERAL.—In order to provide training
11 services related to construction or reconstruction of
12 public school facilities receiving funding assistance
13 under an applicable program, each State shall estab-
14 lish a specialized program of training meeting the
15 following requirements:

16 “(A) The specialized program provides
17 training for jobs in the construction industry.

18 “(B) The program provides trained work-
19 ers for projects for the construction or recon-
20 struction of public school facilities receiving
21 funding assistance under an applicable pro-
22 gram.

23 “(C) The program ensures that skilled
24 workers (residing in the area to be served by
25 the school facilities) will be available for the
26 construction or reconstruction work.

1 “(2) COORDINATION.—The specialized program
2 established under paragraph (1) shall be integrated
3 with other activities under this Act, with the activi-
4 ties carried out under the National Apprenticeship
5 Act of 1937 by the State Apprenticeship Council or
6 through the Bureau of Apprenticeship and Training
7 in the Department of Labor, as appropriate, and
8 with activities carried out under the Carl D. Perkins
9 Vocational and Technical Education Act of 1998.
10 Nothing in this subsection shall be construed to re-
11 quire services duplicative of those referred to in the
12 preceding sentence.

13 “(3) APPLICABLE PROGRAM.—In this sub-
14 section, the term ‘applicable program’ has the mean-
15 ing given the term in section 439(b) of the General
16 Education Provisions Act (relating to labor stand-
17 ards).”.

18 (b) STATE PLAN.—Section 112(b)(17)(A) of the
19 Workforce Investment Act of 1998 (29 U.S.C.
20 2822(b)(17)(A)) is amended—

- 21 (1) in clause (iii), by striking “and” at the end;
22 (2) by redesignating clause (iv) as clause (v);
23 and
24 (3) by inserting after clause (iii) the following:

1 “(iv) how the State will establish and
2 carry out a specialized program of training
3 under section 134(f); and”.

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