

106TH CONGRESS  
1ST SESSION

# H. R. 415

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

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## IN THE HOUSE OF REPRESENTATIVES

JANUARY 19, 1999

Ms. SANCHEZ (for herself, Mr. SANDLIN, Mr. SHERMAN, Mr. GEORGE MILLER of California, Mr. CONYERS, Mr. WEXLER, Mr. WAXMAN, Ms. NORTON, Ms. KILPATRICK, Mr. FARR of California, Ms. MILLENDER-MCDONALD, Mr. FORD, Mr. BROWN of California, Mr. FILNER, Mr. GREEN of Texas, and Mr. ACKERMAN) 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.

1 *Be it enacted by the Senate and House of Representa-*  
2 *tives of the United States of America in Congress assembled,*

### 3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “Expand and Rebuild  
5 America’s Schools Act of 1997”.

### 6 **SEC. 2. FINDINGS.**

7 The Congress finds the following:

1           (1) Many States and school districts will need  
2           to build new schools in order to accommodate in-  
3           creasing student enrollments; the Department of  
4           Education has predicted that the Nation will need  
5           6,000 more schools by the year 2006.

6           (2) In response to reduced class mandates en-  
7           forced by State governments and increased enroll-  
8           ment, many school districts have been forced to uti-  
9           lize temporary classrooms and other structures to  
10          accommodate increased school populations, along  
11          with resorting to year-round schedules for students.

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

21          (4) While school construction and maintenance  
22          are primarily a State and local concern, States and  
23          communities have not, on their own, met the in-  
24          creasing burden of providing acceptable school facili-

1       ties, and the poorest communities have had the  
2       greatest difficulty meeting this need.

3           (5) Many local educational agencies have dif-  
4       ficulties securing financing for school facility con-  
5       struction and renovation, especially in States that  
6       require a  $\frac{2}{3}$  majority of voter approval for the pas-  
7       sage of local bond initiatives.

8           (6) The Federal Government, by providing in-  
9       terest subsidies and similar types of support, can  
10      lower the costs of State and local school infrastruc-  
11      ture investment, creating an incentive for businesses  
12      to support local school infrastructure improvement  
13      efforts.

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

20   **SEC. 3. PURPOSES.**

21      The purposes of this Act are—

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

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

6   **SEC. 4. CREDIT TO HOLDERS OF SCHOOL CONSTRUCTION**  
 7                   **BONDS.**

8       (a) IN GENERAL.—Subpart D of part IV of sub-  
 9       chapter A of chapter 1 of the Internal Revenue Code of  
 10      1986 (relating to business-related credits) is amended by  
 11      adding at the end the following new section:

12   **“SEC. 45D. CREDIT TO HOLDERS OF SCHOOL CONSTRUC-**  
 13                   **TION BONDS.**

14       “(a) ALLOWANCE OF CREDIT.—In the case of an eli-  
 15      gible taxpayer who holds a school construction bond on  
 16      the credit allowance date of such bond which occurs during  
 17      the taxable year, there shall be allowed as a credit against  
 18      the tax imposed by this chapter for such taxable year the  
 19      amount determined under subsection (b).

20       “(b) AMOUNT OF CREDIT.—The amount of the credit  
 21      determined under this subsection with respect to any  
 22      school construction bond is the amount equal to the prod-  
 23      uct of—

1           “(1) the credit rate determined by the Sec-  
2       retary under section 1397E(b)(2) for the month in  
3       which such bond was issued, multiplied by

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

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

9           “(1) the sum of the regular tax liability (as de-  
10      fined in section 26(b)) plus the tax imposed by sec-  
11      tion 55, over

12          “(2) the sum of the credits allowable under this  
13      part (other than under this section and subpart C  
14      thereof, relating to refundable credits) and section  
15      1397E.

16      “(d) SCHOOL CONSTRUCTION BOND.—For purposes  
17      of this section—

18          “(1) IN GENERAL.—The term ‘school construc-  
19      tion bond’ means any bond issued as part of an  
20      issue if—

21              “(A) 95 percent or more of the proceeds of  
22          such issue are to be used for a qualified pur-  
23          pose with respect to a new qualified school es-  
24          tablished 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

1 (as of the date of issuance of the issue) of not  
2 less than 10 percent of the proceeds of the  
3 issue.

4 “(B) QUALIFIED CONTRIBUTIONS.—For  
5 purposes of subparagraph (A), the term ‘quali-  
6 fied contribution’ means any contribution (of a  
7 type and quality acceptable to the eligible local  
8 education agency) of—

9 “(i) equipment for use in the qualified  
10 school (including state-of-the-art tech-  
11 nology and vocational equipment),

12 “(ii) technical assistance in developing  
13 curriculum or in training teachers in order  
14 to promote appropriate market driven tech-  
15 nology in the classroom,

16 “(iii) services of employees as volun-  
17 teer mentors,

18 “(iv) internships, field trips, or other  
19 educational opportunities outside the  
20 school for students, or

21 “(v) any other property or service  
22 specified by the eligible local education  
23 agency.

24 “(3) QUALIFIED SCHOOL.—

1           “(A) IN GENERAL.—The term ‘qualified  
2           school’ means any public school which is estab-  
3           lished by and operated under the supervision of  
4           an eligible local education agency to provide  
5           education or training below the postsecondary  
6           level if—

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

13                  “(ii) students in such public school  
14                  will be subject to the same academic stand-  
15                  ards and assessments as other students  
16                  educated by the local education agency,

17                  “(iii) a well-structured program to al-  
18                  leviate overcrowding and to improve stu-  
19                  dents’ education has been constructed and  
20                  implemented in the opinion of the Sec-  
21                  retary of Education, and

22                  “(iv) at least 2 of the following re-  
23                  quirements are met:

24                          “(I) There is a reasonable expect-  
25                          tation (as of the date of issuance of



1 the bonds) that at least 35 percent of  
2 the population attending the such  
3 public school will be eligible for free or  
4 reduced-cost lunches under the school  
5 lunch program established under the  
6 National School Lunch Act.

7 “(II) There is a reasonable ex-  
8 pectation (as of the date of issuance  
9 of the bonds) that the student growth  
10 rate over the next 5 years for the  
11 school district in which such public  
12 school is to be located will be at least  
13 10 percent.

14 “(III) The average student-teach-  
15 er ratio for such district as of the  
16 date of issuance of the bonds is at  
17 least 28 to 1.

18 “(B) ELIGIBLE LOCAL EDUCATION AGEN-  
19 CY.—The term ‘eligible local education agency’  
20 means any local educational agency as defined  
21 in section 14101 of the Elementary and Sec-  
22 ondary Education Act of 1965.

23 “(4) QUALIFIED PURPOSE.—

1           “(A) IN GENERAL.—The term ‘qualified  
2           purpose’ means, with respect to any qualified  
3           school—

4                   “(i) constructing a new school facility,  
5                   and

6                   “(ii) providing equipment for use at  
7                   such facility.

8           “(B) SCHOOL FACILITY.—The term ‘school  
9           facility’ means a new public structure suitable  
10           for use as a classroom, laboratory, library,  
11           media center, or related facility whose primary  
12           purpose is the instruction of public elementary  
13           or secondary students. Such term does not in-  
14           clude an athletic stadium, or any other struc-  
15           ture or facility intended primarily for athletic  
16           exhibitions, contests, games, or events for which  
17           admission is charged to the general public.

18           “(5) ELIGIBLE TAXPAYER.—The term ‘eligible  
19           taxpayer’ means—

20                   “(A) a bank (within the meaning of section  
21                   581),

22                   “(B) an insurance company to which sub-  
23                   chapter L applies, and

24                   “(C) a corporation actively engaged in the  
25                   business of lending money.

1       “(e) LIMITATION ON AMOUNT OF BONDS DES-  
2   IGNATED.—

3               “(1) NATIONAL LIMITATION.—There is a na-  
4   tional school construction bond limitation for each  
5   calendar year. Such limitation is \$400,000,000 for  
6   1998 and 1999, and, except for carryovers as pro-  
7   vided under the rules applicable under paragraph  
8   (2), zero thereafter.

9               “(2) ALLOCATION OF LIMITATION.—The na-  
10   tional school construction bond limitation for a cal-  
11   endar year shall be allocated by the Secretary among  
12   the States on the basis of their respective popu-  
13   lations of individuals below the poverty line (as de-  
14   fined by the Office of Management and Budget).  
15   The limitation amount allocated to a State under the  
16   preceding sentence shall be allocated by the Sec-  
17   retary of Education to qualified schools within such  
18   State.

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

1           “(4) CARRYOVER OF UNUSED LIMITATION.—If  
2           for any calendar year—

3                   “(A) the limitation amount for any State,  
4                   exceeds

5                   “(B) the amount of bonds issued during  
6                   such year which are designated under sub-  
7                   section (d)(1) with respect to qualified schools  
8                   within such State,  
9           the limitation amount for such State for the follow-  
10          ing calendar year shall be increased by the amount  
11          of such excess.

12          “(f) OTHER DEFINITIONS.—The definitions in sub-  
13          sections (d)(6) and (f) of section 1397E shall apply for  
14          purposes of this section.

15          “(g) CREDIT INCLUDED IN GROSS INCOME.—Gross  
16          income includes the amount of the credit allowed to the  
17          taxpayer under this section.”

18          (b) CONFORMING AMENDMENT.—The table of sec-  
19          tions for subpart D of part IV of subchapter A of chapter  
20          1 of such Code is amended by adding at the end the follow-  
21          ing new item:

                  “Sec. 45D. Credit to holders of school construction bonds.”

22          (c) EFFECTIVE DATE.—The amendments made by  
23          this section shall apply to obligations issued after Decem-  
24          ber 31, 1997.

