

106TH CONGRESS
1ST SESSION

S. 223

To help communities modernize public school facilities, and for other purposes.

IN THE SENATE OF THE UNITED STATES

JANUARY 19, 1999

Mr. LAUTENBERG (for himself, Mr. ROBB, Mr. KENNEDY, Mr. DASCHLE, Mr. CONRAD, Mr. BINGAMAN, Mr. EDWARDS, Mr. TORRICELLI, Mr. KERRY, Mr. BREAUX, Mr. INOUE, Mrs. BOXER, and Mr. JOHNSON) introduced the following bill; which was read twice and referred to the Committee on Finance

A BILL

To help communities modernize public school facilities, and
for other purposes.

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 “Public School Mod-
5 ernization Act of 1999”.

6 **SEC. 2. FINDINGS AND PURPOSE.**

7 (a) FINDINGS.—Congress makes the following find-
8 ings:

1 (1) According to the General Accounting Office,
2 one-third of all elementary and secondary schools in
3 the United States, serving 14,000,000 students,
4 need extensive repair or renovation.

5 (2) School infrastructure problems exist across
6 the country, in urban, suburban, and rural school
7 districts.

8 (3) Many States and school districts will need
9 to build new schools in order to accommodate in-
10 creasing student enrollments; the Department of
11 Education has predicted that the Nation will need
12 an additional 6,000 schools by 2006.

13 (4) Many schools do not have the physical in-
14 frastructure to take advantage of computers and
15 other technology needed to meet the challenges of
16 the next century.

17 (5) The Federal Government, by providing tax
18 credits to bondholders to substitute for interest paid
19 by school districts, can lower the costs of State and
20 local school infrastructure investment, creating an
21 incentive for States and localities to increase their
22 own infrastructure improvement efforts and help en-
23 sure that all students are able to attend schools that
24 are equipped for the 21st century.

1 (b) PURPOSE.—The purpose of this Act is to provide
 2 Federal tax credits to bondholders, in lieu of interest owed
 3 by school districts, to help States and localities to modern-
 4 ize public school facilities and build the additional public
 5 schools needed to educate the increasing number of stu-
 6 dents who will enroll in the next decade.

7 **SEC. 3. EXPANSION OF INCENTIVES FOR PUBLIC SCHOOLS.**

8 (a) IN GENERAL.—Part IV of subchapter U of chap-
 9 ter 1 of the Internal Revenue Code of 1986 (relating to
 10 incentives for education zones) is amended to read as fol-
 11 lows:

12 **“PART IV—INCENTIVES FOR QUALIFIED PUBLIC**
 13 **SCHOOL MODERNIZATION BONDS**

“Sec. 1397E. Credit to holders of qualified public school mod-
 ernization bonds.

“Sec. 1397F. Qualified zone academy bonds.

“Sec. 1397G. Qualified school construction bonds.

14 **“SEC. 1397E. CREDIT TO HOLDERS OF QUALIFIED PUBLIC**
 15 **SCHOOL MODERNIZATION BONDS.**

16 “(a) ALLOWANCE OF CREDIT.—In the case of a tax-
 17 payer who holds a qualified public school modernization
 18 bond on the credit allowance date of such bond which oc-
 19 curs during the taxable year, there shall be allowed as a
 20 credit against the tax imposed by this chapter for such
 21 taxable year the amount determined under subsection (b).

22 “(b) AMOUNT OF CREDIT.—

1 “(1) IN GENERAL.—The amount of the credit
 2 determined under this subsection with respect to any
 3 qualified public school modernization bond is the
 4 amount equal to the product of—

5 “(A) the credit rate determined by the Sec-
 6 retary under paragraph (2) for the month in
 7 which such bond was issued, multiplied by

8 “(B) the face amount of the bond held by
 9 the taxpayer on the credit allowance date.

10 “(2) DETERMINATION.—During each calendar
 11 month, the Secretary shall determine a credit rate
 12 which shall apply to bonds issued during the follow-
 13 ing calendar month. The credit rate for any month
 14 is the percentage which the Secretary estimates will
 15 on average permit the issuance of qualified public
 16 school modernization bonds without discount and
 17 without interest cost to the issuer.

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

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

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

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

4 “(2) CARRYOVER OF UNUSED CREDIT.—If the
5 credit allowable under subsection (a) exceeds the
6 limitation imposed by paragraph (1) for such taxable
7 year, such excess shall be carried to the succeeding
8 taxable year and added to the credit allowable under
9 subsection (a) for such taxable year.

10 “(d) QUALIFIED PUBLIC SCHOOL MODERNIZATION
11 BOND; CREDIT ALLOWANCE DATE.—For purposes of this
12 section—

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

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

17 “(B) a qualified school construction bond.

18 “(2) CREDIT ALLOWANCE DATE.—The term
19 ‘credit allowance date’ means, with respect to any
20 issue, the last day of the 1-year period beginning on
21 the date of issuance of such issue and the last day
22 of each successive 1-year period thereafter.

23 “(e) OTHER DEFINITIONS.—For purposes of this
24 part—

1 “(1) LOCAL EDUCATIONAL AGENCY.—The term
 2 ‘local educational agency’ has the meaning given to
 3 such term by section 14101 of the Elementary and
 4 Secondary Education Act of 1965. Such term in-
 5 cludes the local educational agency that serves the
 6 District of Columbia but does not include any other
 7 State agency.

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

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

13 “(4) PUBLIC SCHOOL FACILITY.—The term
 14 ‘public school facility’ shall not include any stadium
 15 or other facility primarily used for athletic contests
 16 or exhibitions or other events for which admission is
 17 charged to the general public.

18 “(f) CREDIT INCLUDED IN GROSS INCOME.—Gross
 19 income includes the amount of the credit allowed to the
 20 taxpayer under this section and the amount so included
 21 shall be treated as interest income.

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

1 holders of such company under procedures prescribed by
 2 the Secretary.

3 **“SEC. 1397F. QUALIFIED ZONE ACADEMY BONDS.**

4 “(a) QUALIFIED ZONE ACADEMY BOND.—For pur-
 5 poses of this part—

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

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

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

16 “(C) the issuer—

17 “(i) designates such bond for purposes
 18 of this section,

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

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

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

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 enactment of this sec-
10 tion), 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,

24 “(B) providing equipment for use at such
25 academy,

1 “(C) developing course materials for edu-
2 cation to be provided at such academy, and

3 “(D) training teachers and other school
4 personnel in such academy.

5 “(5) TEMPORARY PERIOD EXCEPTION.—A bond
6 shall not be treated as failing to meet the require-
7 ment of paragraph (1)(A) solely by reason of the
8 fact that the proceeds of the issue of which such
9 bond is a part are invested for a reasonable tem-
10 porary period (but not more than 36 months) until
11 such proceeds are needed for the purpose for which
12 such issue was issued. Any earnings on such pro-
13 ceeds during such period shall be treated as proceeds
14 of the issue for purposes of applying paragraph
15 (1)(A).

16 “(b) LIMITATIONS ON AMOUNT OF BONDS DES-
17 IGNATED.—

18 “(1) IN GENERAL.—There is a national zone
19 academy bond limitation for each calendar year.
20 Such limitation is—

21 “(A) \$400,000,000 for 1999,

22 “(B) \$1,400,000,000 for 2000,

23 “(C) \$1,400,000,000 for 2001, and

24 “(D) except as provided in paragraph (3),
25 zero after 2001.

1 “(2) ALLOCATION OF LIMITATION.—

2 “(A) ALLOCATION AMONG STATES.—

3 “(i) 1999 LIMITATION.—The national
4 zone academy bond limitation for calendar
5 year 1999 shall be allocated by the Sec-
6 retary among the States on the basis of
7 their respective populations of individuals
8 below the poverty line (as defined by the
9 Office of Management and Budget).

10 “(ii) LIMITATION AFTER 1999.—The
11 national zone academy bond limitation for
12 any calendar year after 1999 shall be allo-
13 cated by the Secretary among the States in
14 the manner prescribed by section
15 1397G(d); except that, in making the allo-
16 cation under this clause, the Secretary
17 shall take into account Basic Grants at-
18 tributable to large local educational agen-
19 cies (as defined in section 1397G(e)).

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

1 “(C) DESIGNATION SUBJECT TO LIMITA-
 2 TION AMOUNT.—The maximum aggregate face
 3 amount of bonds issued during any calendar
 4 year which may be designated under subsection
 5 (a) with respect to any qualified zone academy
 6 shall not exceed the limitation amount allocated
 7 to such academy under subparagraph (B) for
 8 such calendar year.

9 “(3) CARRYOVER OF UNUSED LIMITATION.—If
 10 for any calendar year—

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

13 “(B) the amount of bonds issued during
 14 such year which are designated under sub-
 15 section (a) with respect to qualified zone acad-
 16 emies within such State,

17 the limitation amount under this subsection for such
 18 State for the following calendar year shall be in-
 19 creased by the amount of such excess. The preceding
 20 sentence shall not apply if such following calendar
 21 year is after 2003.

22 **“SEC. 1397G. QUALIFIED SCHOOL CONSTRUCTION BONDS.**

23 “(a) QUALIFIED SCHOOL CONSTRUCTION BOND.—
 24 For purposes of this part, the term ‘qualified school con-

1 construction bond’ means any bond issued as part of an issue
 2 if—

3 “(1) 95 percent or more of the proceeds of such
 4 issue are to be used for the construction, rehabilita-
 5 tion, or repair of a public school facility,

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

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

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

13 Rules similar to the rules of section 1397F(a)(5) shall
 14 apply for purposes of paragraph (1).

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

20 “(1) the limitation amount allocated under sub-
 21 section (d) for such calendar year to such issuer,
 22 and

23 “(2) if such issuer is a large local educational
 24 agency (as defined in subsection (e)) or is issuing on
 25 behalf of such an agency, the limitation amount allo-

1 cated under subsection (e) for such calendar year to
 2 such agency.

3 “(c) NATIONAL LIMITATION ON AMOUNT OF BONDS
 4 DESIGNATED.—

5 “(1) IN GENERAL.—There is a national quali-
 6 fied school construction bond limitation for each cal-
 7 endar year equal to the dollar amount specified in
 8 paragraph (2) for such year, reduced, in the case of
 9 calendar years 2000 and 2001, by 1.5 percent of
 10 such amount.

11 “(2) DOLLAR AMOUNT SPECIFIED.—The dollar
 12 amount specified in this paragraph is—

13 “(A) \$9,700,000,000 for 2000,

14 “(B) \$9,700,000,000 for 2001, and

15 “(C) except as provided in subsection (f),
 16 zero after 2001.

17 “(d) 65-PERCENT OF LIMITATION ALLOCATED
 18 AMONG STATES.—

19 “(1) IN GENERAL.—Sixty-five percent of the
 20 limitation applicable under subsection (c) for any
 21 calendar year shall be allocated among the States
 22 under paragraph (2) by the Secretary. The limita-
 23 tion amount allocated to a State under the preceding
 24 sentence shall be allocated by the State education
 25 agency to issuers within such State and such alloca-

tions may be made only if there is an approved State application.

“(2) ALLOCATION FORMULA.—The amount to be allocated under paragraph (1) for any calendar year shall be allocated among the States in proportion to the respective amounts each such State received for Basic Grants under subpart 2 of part A of title I of the Elementary and Secondary Education Act of 1965 (20 U.S.C. 6331 et seq.) for the most recent fiscal year ending before such calendar year. For purposes of the preceding sentence, Basic Grants attributable to large local educational agencies (as defined in subsection (e)) shall be disregarded.

“(3) MINIMUM ALLOCATIONS TO STATES.—

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

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

“(ii) the aggregate amounts allocated under subsection (e) to large local edu-

1 cational agencies in such State for such
2 year,
3 is not less than an amount equal to such
4 State's minimum percentage of 65 percent of
5 the national qualified school construction bond
6 limitation under subsection (c) for the calendar
7 year.

8 “(B) MINIMUM PERCENTAGE.—A State's
9 minimum percentage for any calendar year is
10 the minimum percentage described in section
11 1124(d) of the Elementary and Secondary Edu-
12 cation Act of 1965 (20 U.S.C. 6334(d)) for
13 such State for the most recent fiscal year end-
14 ing before such calendar year.

15 “(4) ALLOCATIONS TO CERTAIN POSSES-
16 SIONS.—The amount to be allocated under para-
17 graph (1) to any possession of the United States
18 other than Puerto Rico shall be the amount which
19 would have been allocated if all allocations under
20 paragraph (1) were made on the basis of respective
21 populations of individuals below the poverty line (as
22 defined by the Office of Management and Budget).
23 In making other allocations, the amount to be allo-
24 cated under paragraph (1) shall be reduced by the

1 aggregate amount allocated under this paragraph to
 2 possessions of the United States.

3 “(5) APPROVED STATE APPLICATION.—For
 4 purposes of paragraph (1), the term ‘approved State
 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 State with the
 9 involvement of local education officials, mem-
 10 bers of the public, and experts in school con-
 11 struction and management) of such State’s
 12 needs for public school facilities, including de-
 13 scriptions of—

14 “(i) health and safety problems at
 15 such facilities,

16 “(ii) the capacity of public schools in
 17 the State to house projected enrollments,
 18 and

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

23 “(B) a description of how the State will al-
 24 locate to local educational agencies, or other-
 25 wise use, its allocation under this subsection to

1 address the needs identified under subpara-
 2 graph (A), including a description of how it
 3 will—

4 “(i) give highest priority to localities
 5 with the greatest needs, as demonstrated
 6 by inadequate or overcrowded school facili-
 7 ties coupled with a low level of resources to
 8 meet those needs,

9 “(ii) use its allocation under this sub-
 10 section to assist localities that lack the fis-
 11 cal capacity to issue bonds on their own,
 12 including the issuance of bonds by the
 13 State on behalf of such localities, and

14 “(iii) ensure that its allocation under
 15 this subsection is used only to supplement,
 16 and not supplant, the amount of school
 17 construction, rehabilitation, and repair in
 18 the State that would have occurred in the
 19 absence of such allocation.

20 Any allocation under paragraph (1) by a State edu-
 21 cation agency shall be binding if such agency reason-
 22 ably determined that the allocation was in accord-
 23 ance with the plan approved under this paragraph.

24 “(e) 35-PERCENT OF LIMITATION ALLOCATED
 25 AMONG LARGEST SCHOOL DISTRICTS.—

1 “(1) IN GENERAL.—Thirty-five percent of the
 2 limitation applicable under subsection (c) for any
 3 calendar year shall be allocated under paragraph (2)
 4 by the Secretary among local educational agencies
 5 which are large local educational agencies for such
 6 year. No qualified school construction bond may be
 7 issued by reason of an allocation to a large local
 8 educational agency under the preceding sentence un-
 9 less such agency has an approved local application.

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

19 “(3) LARGE LOCAL EDUCATIONAL AGENCY.—
 20 For purposes of this section, the term ‘large local
 21 educational agency’ means, with respect to a cal-
 22 endar year, any local educational agency if such
 23 agency is—

24 “(A) among the 100 local educational
 25 agencies with the largest numbers of children

1 aged 5 through 17 from families living below
 2 the poverty level, as determined by the Sec-
 3 retary using the most recent data available
 4 from the Department of Commerce that are
 5 satisfactory to the Secretary, or

6 “(B) 1 of not more than 25 local edu-
 7 cational agencies (other than those described in
 8 clause (i)) that the Secretary of Education de-
 9 termines (based on the most recent data avail-
 10 able satisfactory to the Secretary) are in par-
 11 ticular need of assistance, based on a low level
 12 of resources for school construction, a high level
 13 of enrollment growth, or such other factors as
 14 the Secretary deems appropriate.

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

19 “(A) the results of a recent publicly-avail-
 20 able survey (undertaken by the local educational
 21 agency with the involvement of school officials,
 22 members of the public, and experts in school
 23 construction and management) of such agency’s
 24 needs for public school facilities, including de-
 25 scriptions of—

1 “(i) the overall condition of the local
 2 educational agency’s school facilities, in-
 3 cluding health and safety problems,

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

6 “(iii) the extent to which the agency’s
 7 schools offer the physical infrastructure
 8 needed to provide a high-quality education
 9 to all students,

10 “(B) a description of how the local edu-
 11 cational agency will use its allocation under this
 12 subsection to address the needs identified under
 13 subparagraph (A), and

14 “(C) a description of how the local edu-
 15 cational agency will ensure that its allocation
 16 under this subsection is used only to supple-
 17 ment, and not supplant, the amount of school
 18 construction, rehabilitation, or repair in the lo-
 19 cality that would have occurred in the absence
 20 of such allocation.

21 A rule similar to the rule of the last sentence of sub-
 22 section (d)(5) shall apply for purposes of this para-
 23 graph.

24 “(f) CARRYOVER OF UNUSED LIMITATION.—If for
 25 any calendar year—

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

3 “(2) the amount of bonds issued during such
4 year which are designated under subsection (a) pur-
5 suant to such allocation,
6 the limitation amount under such subsection for such
7 State for the following calendar year shall be increased
8 by the amount of such excess. A similar rule shall apply
9 to the amounts allocated under subsection (e). The sub-
10 section shall not apply if such following calendar year is
11 after 2003.

12 “(g) SET-ASIDE ALLOCATED AMONG INDIAN
13 TRIBES.—

14 “(1) IN GENERAL.—The 1.5 percent set-aside
15 applicable under subsection (c)(1) for any calendar
16 year shall be allocated under paragraph (2) among
17 Indian tribes for the construction, rehabilitation, or
18 repair of tribal schools. No allocation may be made
19 under the preceding sentence unless the Indian tribe
20 has an approved application.

21 “(2) ALLOCATION FORMULA.—The amount to
22 be allocated under paragraph (1) for any calendar
23 year shall be allocated among Indian tribes on a
24 competitive basis by the Secretary of Interior, in
25 consultation with the Secretary of the Education—

1 “(A) through a negotiated rulemaking pro-
 2 cedure with the tribes in the same manner as
 3 the procedure described in section 106(b)(2) of
 4 the Native American Housing Assistance and
 5 Self-Determination Act of 1996 (25 U.S.C.
 6 4116(b)(2)), and

7 “(B) based on criteria described in para-
 8 graphs (1), (3), (4), (5), and (6) of section
 9 12005(a) of the Elementary and Secondary
 10 Education Act of 1965 (20 U.S.C. 8505(a)).

11 “(3) APPROVED APPLICATION.—For purposes
 12 of paragraph (1), the term ‘approved application’
 13 means an application submitted by an Indian tribe
 14 which is approved by the Secretary of Education and
 15 which includes—

16 “(A) the basis upon which the applicable
 17 tribal school meets the criteria described in
 18 paragraph (2)(B), and

19 “(B) an assurance by the Indian tribe that
 20 such tribal school will not receive funds pursu-
 21 ant to allocations described in subsection (d) or
 22 (e).

23 “(4) DEFINITIONS.—For purposes of this
 24 subsection—

1 “(A) INDIAN TRIBE.—The term ‘Indian
2 tribe’ has the meaning given such term by sec-
3 tion 45A(c)(6).

4 “(B) TRIBAL SCHOOL.—The term ‘tribal
5 school’ means a school that is operated by an
6 Indian tribe for the education of Indian chil-
7 dren with financial assistance under grant
8 under the Tribally Controlled Schools Act of
9 1988 (25 U.S.C. 2501 et seq.) or a contract
10 with the Bureau of Indian Affairs under the In-
11 dian Self-Determination and Education Assist-
12 ance Act (25 U.S.C. 450f et seq.).”

13 (b) REPORTING.—Subsection (d) of section 6049 of
14 the Internal Revenue Code of 1986 (relating to returns
15 regarding payments of interest) is amended by adding at
16 the end the following:

17 “(8) REPORTING OF CREDIT ON QUALIFIED
18 PUBLIC SCHOOL MODERNIZATION BONDS.—

19 “(A) IN GENERAL.—For purposes of sub-
20 section (a), the term ‘interest’ includes amounts
21 includible in gross income under section
22 1397E(f) and such amounts shall be treated as
23 paid on the credit allowance date (as defined in
24 section 1397E(d)(2)).

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

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

(c) CLERICAL AMENDMENTS.—

(1) The table of parts for subchapter U of
chapter 1 of the Internal Revenue Code of 1986 is
amended by striking the item relating to part IV
and inserting the following:

“Part IV. Incentives for qualified public school modernization
bonds.”

(2) Part V of subchapter U of chapter 1 of
such Code is amended by redesignating both section
1397F and the item relating thereto in the table of
sections for such part as section 1397H.

(d) EFFECTIVE DATES.—

1 (1) IN GENERAL.—Except as provided in para-
 2 graph (2), the amendments made by this section
 3 shall apply to obligations issued after December 31,
 4 1998.

5 (2) REPEAL OF RESTRICTION ON ZONE ACAD-
 6 EMY BOND HOLDERS.—The repeal of the limitation
 7 of section 1397E of the Internal Revenue Code of
 8 1986 (as in effect on the day before the date of en-
 9 actment of this Act) to eligible taxpayers (as defined
 10 in subsection (d)(6) of such section) shall apply to
 11 obligations issued after December 31, 1997.

12 **SEC. 4. SENSE OF THE SENATE REGARDING FUNDING FOR**
 13 **BIA SCHOOL FACILITIES.**

14 (a) FINDINGS.—The Senate finds that—

15 (1) the Bureau of Indian Affairs operates 1 of
 16 only 2 federally-run school systems; and

17 (2) there is a clear Federal responsibility to en-
 18 sure that the more than 50,000 students attending
 19 these schools have decent, safe schools.

20 (b) SENSE OF THE SENATE.—It is the sense of the
 21 Senate that—

22 (1) sufficient funds should be provided in fiscal
 23 year 2000 to begin construction of 3 new Bureau of
 24 Indian Affairs school facilities and to increase funds

1 available for the improvement and repair of existing
2 facilities; and

3 (2) in addition, Congress should consider enact-
4 ing legislation to establish other funding mechanisms
5 that would leverage Federal investments on behalf of
6 Bureau of Indian Affairs schools in order to address
7 the serious construction backlog which exists at trib-
8 al schools.

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