

106TH CONGRESS
1ST SESSION

S. 551

To amend the Internal Revenue Code of 1986 to encourage school construction and rehabilitation through the creation of a new class of bond, and for other purposes.

IN THE SENATE OF THE UNITED STATES

MARCH 4, 1999

Mrs. FEINSTEIN introduced the following bill; which was read twice and referred to the Committee on Finance

A BILL

To amend the Internal Revenue Code of 1986 to encourage school construction and rehabilitation through the creation of a new class of bond, 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 “Expand and Rebuild
5 America’s Schools Act of 1999”.

6 **SEC. 2. FINDINGS.**

7 The Congress finds the following:

8 (1) Many States and school districts will need
9 to build new schools to accommodate increasing stu-

1 dent enrollments; the Department of Education has
2 predicted that the Nation will need 6,000 more
3 schools by the year 2006.

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

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

20 (4) While school construction and maintenance
21 are primarily a State and local concern, States and
22 communities have not, on their own, met the in-
23 creasing burden of providing acceptable school facili-
24 ties, and the poorest communities have had the
25 greatest difficulty meeting this need.

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

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

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

18 **SEC. 3. PURPOSE.**

19 The purpose of this Act is to help local educational
20 agencies bring all public school facilities up to an accept-
21 able standard and build the additional classrooms needed
22 to educate the growing number of students who will enroll
23 in the next decade.

1 **SEC. 4. CREDIT TO HOLDERS OF SCHOOL CONSTRUCTION**
 2 **BONDS.**

3 (a) IN GENERAL.—Subpart D of part IV of sub-
 4 chapter A of chapter 1 of the Internal Revenue Code of
 5 1986 (relating to business-related credits) is amended by
 6 adding at the end the following:

7 **“SEC. 45D. CREDIT TO HOLDERS OF SCHOOL CONSTRUC-**
 8 **TION BONDS.**

9 “(a) ALLOWANCE OF CREDIT.—In the case of a tax-
 10 payer who holds a school construction bond on the credit
 11 allowance date of such bond which occurs during the tax-
 12 able year, there shall be allowed as a credit against the
 13 tax imposed by this chapter for such taxable year the
 14 amount determined under subsection (b).

15 “(b) AMOUNT OF CREDIT.—The amount of the credit
 16 determined under this subsection with respect to any
 17 school construction bond is the amount equal to the prod-
 18 uct of—

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

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

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

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

4 “(2) the sum of the credits allowable under this
 5 part (other than under this section and subpart C
 6 thereof, relating to refundable credits) and section
 7 1397E.

8 “(d) SCHOOL CONSTRUCTION BOND.—For purposes
 9 of this section—

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

13 “(A) 95 percent or more of the proceeds of
 14 such issue are to be used for a qualified pur-
 15 pose with respect to a qualified school estab-
 16 lished by an eligible local education agency,

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

20 “(C) the issuer—

21 “(i) designates such bond for purposes
 22 of this section, and

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

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

4 “(3) QUALIFIED SCHOOL.—

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

11 “(i) such public school is designed to
12 enhance the academic curriculum, increase
13 graduation and employment rates, and bet-
14 ter prepare students for postsecondary
15 education and the workforce,

16 “(ii) students in such public school
17 will be subject to the academic achievement
18 standards and assessments established by
19 the State,

20 “(iii) a program to alleviate over-
21 crowding and to improve students’ edu-
22 cation has been constructed,

23 “(iv) the average student-teacher ratio
24 for the school district in which such school

1 is located as of the date of the issuance of
2 the bonds is at least 28 to 1, and

3 “(v) at least 1 of the following re-
4 quirements is met:

5 “(I) The proceeds from the
6 issuance of the bonds will be used for
7 new school construction, the rehabili-
8 tation of school facilities which are
9 more than 30 years old as of the date
10 of such issuance, or the provision of
11 advanced or improved communications
12 infrastructure.

13 “(II) There is a reasonable ex-
14 pectation (as of the date of issuance
15 of the bonds) that the student growth
16 rate over the next 5 years for the
17 school district in which such public
18 school is to be located will be at least
19 10 percent.

20 “(III) Construction or rehabilita-
21 tion activities are needed as the result
22 of natural disasters or to mitigate the
23 cost of potential disasters.

24 “(B) ELIGIBLE LOCAL EDUCATION AGEN-
25 CY.—The term ‘eligible local education agency’

1 means any local educational agency as defined
 2 in section 14101 of the Elementary and Sec-
 3 ondary Education Act of 1965.

4 “(4) QUALIFIED PURPOSE.—

5 “(A) IN GENERAL.—The term ‘qualified
 6 purpose’ means, with respect to any qualified
 7 school, constructing or rehabilitating a school
 8 facility.

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

19 “(e) LIMITATION ON AMOUNT OF BONDS DES-
 20 IGNATED.—

21 “(1) NATIONAL LIMITATION.—There is a na-
 22 tional school construction bond limitation for each
 23 calendar year. Such limitation is \$1,400,000,000 for
 24 1999 and 2000, and, except for carryovers as pro-

vided under the rules applicable under paragraph
(2), zero thereafter.

“(2) ALLOCATION OF LIMITATION.—

“(A) STATE ALLOCATION.—The national
school construction bond limitation for a cal-
endar year shall be allocated by the Secretary
among the States on the combined basis of the
following factors:

“(i) The respective populations of in-
dividuals below the poverty line (as defined
by the Office of Management and Budget).

“(ii) The respective projected growth
rates in the number of students over the
next 5 years and 10 years (as determined
by the Secretary of Education).

“(B) SCHOOL ALLOCATION.—The limita-
tion amount allocated to a State under the sub-
paragraph (A) shall be allocated by the Sec-
retary 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

1 amount allocated to such school under paragraph
 2 (2)(B) for such calendar year.

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

5 “(A) the limitation amount for any State,
 6 exceeds

7 “(B) the amount of bonds issued during
 8 such year which are designated under sub-
 9 section (d)(1) with respect to qualified schools
 10 within such State,

11 the limitation amount for such State for the follow-
 12 ing calendar year shall be increased by the amount
 13 of such excess.

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

17 “(g) CREDIT INCLUDED IN GROSS INCOME.—Gross
 18 income includes the amount of the credit allowed to the
 19 taxpayer under this section (determined without regard to
 20 subsection (c).

21 “(h) CREDIT TREATED AS ALLOWED UNDER PART
 22 IV OF SUBCHAPTER A.—For purposes of subtitle F, the
 23 credit allowed by this section shall be treated as a credit
 24 allowable under part IV of subchapter A of this chapter.”

1 (b) CONFORMING AMENDMENT.—The table of sec-
2 tions for subpart D of part IV of subchapter A of chapter
3 1 of the Internal Revenue Code of 1986 is amended by
4 adding at the end the following:

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

5 (c) EFFECTIVE DATE.—The amendments made by
6 this section shall apply to obligations issued after Decem-
7 ber 31, 1999.

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