

108TH CONGRESS  
1ST SESSION

# H. R. 930

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

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## IN THE HOUSE OF REPRESENTATIVES

FEBRUARY 26, 2003

Mrs. JOHNSON of Connecticut 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

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## A BILL

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

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 “America’s Better  
5 Classroom Act of 2003”.

1 **SEC. 2. EXPANSION OF INCENTIVES FOR PUBLIC SCHOOLS.**

2 (a) IN GENERAL.—Chapter 1 of the Internal Rev-  
 3 enue Code of 1986 is amended by adding at the end the  
 4 following new subchapter:

5 **“Subchapter Z—Public School Modernization**  
 6 **Provisions**

“Sec. 1400N. Credit to holders of qualified public school mod-  
 ernization bonds.

“Sec. 1400O. Qualified school construction bonds.

“Sec. 1400P. Qualified zone academy bonds.

7 **“SEC. 1400N. CREDIT TO HOLDERS OF QUALIFIED PUBLIC**  
 8 **SCHOOL MODERNIZATION BONDS.**

9 “(a) ALLOWANCE OF CREDIT.—In the case of a tax-  
 10 payer who holds a qualified public school modernization  
 11 bond on a credit allowance date of such bond which occurs  
 12 during the taxable year, there shall be allowed as a credit  
 13 against the tax imposed by this chapter for such taxable  
 14 year an amount equal to the sum of the credits determined  
 15 under subsection (b) with respect to credit allowance dates  
 16 during such year on which the taxpayer holds such bond.

17 “(b) AMOUNT OF CREDIT.—

18 “(1) IN GENERAL.—The amount of the credit  
 19 determined under this subsection with respect to any  
 20 credit allowance date for a qualified public school  
 21 modernization bond is 25 percent of the annual  
 22 credit determined with respect to such bond.

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

4                   “(A) the applicable credit rate, multiplied  
5           by

6                   “(B) the outstanding face amount of the  
7           bond.

8           “(3) APPLICABLE CREDIT RATE.—For purposes  
9           of paragraph (1), the applicable credit rate with re-  
10          spect to an issue is the rate equal to an average  
11          market yield (as of the day before the date of  
12          issuance of the issue) on outstanding long-term cor-  
13          porate debt obligations (determined under regula-  
14          tions prescribed by the Secretary).

15          “(4) SPECIAL RULE FOR ISSUANCE AND RE-  
16          DEMPTION.—In the case of a bond which is issued  
17          during the 3-month period ending on a credit allow-  
18          ance date, the amount of the credit determined  
19          under this subsection with respect to such credit al-  
20          lowance date shall be a ratable portion of the credit  
21          otherwise determined based on the portion of the 3-  
22          month period during which the bond is outstanding.  
23          A similar rule shall apply when the bond is re-  
24          deemed.

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

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

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

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

10           “(2) CARRYOVER OF UNUSED CREDIT.—If the  
11           credit allowable under subsection (a) exceeds the  
12           limitation imposed by paragraph (1) for such taxable  
13           year, such excess shall be carried to the succeeding  
14           taxable year and added to the credit allowable under  
15           subsection (a) for such taxable year.

16           “(d) QUALIFIED PUBLIC SCHOOL MODERNIZATION  
17           BOND; CREDIT ALLOWANCE DATE.—For purposes of this  
18           section—

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

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

23                           “(B) a qualified school construction bond.

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

- 1           “(A) March 15,  
2           “(B) June 15,  
3           “(C) September 15, and  
4           “(D) December 15.

5           Such term includes the last day on which the bond  
6           is outstanding.

7           “(e) OTHER DEFINITIONS.—For purposes of this  
8           subchapter—

9           “(1) LOCAL EDUCATIONAL AGENCY.—The term  
10          ‘local educational agency’ has the meaning given to  
11          such term by section 14101 of the Elementary and  
12          Secondary Education Act of 1965. Such term in-  
13          cludes the local educational agency that serves the  
14          District of Columbia but does not include any other  
15          State agency.

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

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

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

23                  “(A) any stadium or other facility pri-  
24                  marily used for athletic contests or exhibitions

1 or other events for which admission is charged  
2 to the general public, or

3 “(B) any facility which is not owned by a  
4 State or local government or any agency or in-  
5 strumentality of a State or local government.

6 “(f) CREDIT INCLUDED IN GROSS INCOME.—Gross  
7 income includes the amount of the credit allowed to the  
8 taxpayer under this section (determined without regard to  
9 subsection (c)) and the amount so included shall be treat-  
10 ed as interest income.

11 “(g) RECAPTURE OF PORTION OF CREDIT WHERE  
12 CESSATION OF COMPLIANCE.—

13 “(1) IN GENERAL.—If any bond which when  
14 issued purported to be a qualified public school mod-  
15 ernization bond ceases to be a qualified public school  
16 modernization bond, the issuer shall pay to the  
17 United States (at the time required by the Sec-  
18 retary) an amount equal to the sum of—

19 “(A) the aggregate of the credits allowable  
20 under this section with respect to such bond  
21 (determined without regard to subsection (c))  
22 for taxable years ending during the calendar  
23 year in which such cessation occurs and the 2  
24 preceding calendar years, and

1           “(B) interest at the underpayment rate  
2           under section 6621 on the amount determined  
3           under subparagraph (A) for each calendar year  
4           for the period beginning on the first day of  
5           such calendar year.

6           “(2) FAILURE TO PAY.—If the issuer fails to  
7           timely pay the amount required by paragraph (1)  
8           with respect to such bond, the tax imposed by this  
9           chapter on each holder of any such bond which is  
10          part of such issue shall be increased (for the taxable  
11          year of the holder in which such cessation occurs) by  
12          the aggregate decrease in the credits allowed under  
13          this section to such holder for taxable years begin-  
14          ning in such 3 calendar years which would have re-  
15          sulted solely from denying any credit under this sec-  
16          tion with respect to such issue for such taxable  
17          years.

18          “(3) SPECIAL RULES.—

19                 “(A) TAX BENEFIT RULE.—The tax for  
20                 the taxable year shall be increased under para-  
21                 graph (2) only with respect to credits allowed  
22                 by reason of this section which were used to re-  
23                 duce tax liability. In the case of credits not so  
24                 used to reduce tax liability, the carryforwards

1 and carrybacks under section 39 shall be appro-  
2 priately adjusted.

3 “(B) NO CREDITS AGAINST TAX.—Any in-  
4 crease in tax under paragraph (2) shall not be  
5 treated as a tax imposed by this chapter for  
6 purposes of determining—

7 “(i) the amount of any credit allow-  
8 able under this part, or

9 “(ii) the amount of the tax imposed  
10 by section 55.

11 “(h) BONDS HELD BY REGULATED INVESTMENT  
12 COMPANIES.—If any qualified public school modernization  
13 bond is held by a regulated investment company, the credit  
14 determined under subsection (a) shall be allowed to share-  
15 holders of such company under procedures prescribed by  
16 the Secretary.

17 “(i) CREDITS MAY BE STRIPPED.—Under regula-  
18 tions prescribed by the Secretary—

19 “(1) IN GENERAL.—There may be a separation  
20 (including at issuance) of the ownership of a quali-  
21 fied public school modernization bond and the enti-  
22 tlement to the credit under this section with respect  
23 to such bond. In case of any such separation, the  
24 credit under this section shall be allowed to the per-  
25 son who on the credit allowance date holds the in-

1       strument evidencing the entitlement to the credit  
2       and not to the holder of the bond.

3           “(2) CERTAIN RULES TO APPLY.—In the case  
4       of a separation described in paragraph (1), the rules  
5       of section 1286 shall apply to the qualified public  
6       school modernization bond as if it were a stripped  
7       bond and to the credit under this section as if it  
8       were a stripped coupon.

9           “(j) TREATMENT FOR ESTIMATED TAX PURPOSES.—  
10      Solely for purposes of sections 6654 and 6655, the credit  
11      allowed by this section to a taxpayer by reason of holding  
12      a qualified public school modernization bond on a credit  
13      allowance date shall be treated as if it were a payment  
14      of estimated tax made by the taxpayer on such date.

15          “(k) CREDIT MAY BE TRANSFERRED.—Nothing in  
16      any law or rule of law shall be construed to limit the trans-  
17      ferability of the credit allowed by this section through sale  
18      and repurchase agreements.

19          “(l) REPORTING.—Issuers of qualified public school  
20      modernization bonds shall submit reports similar to the  
21      reports required under section 149(e).

22          “(m) TERMINATION.—This section shall not apply to  
23      any bond issued after September 30, 2008.

1 **“SEC. 14000. QUALIFIED SCHOOL CONSTRUCTION BONDS.**

2 “(a) QUALIFIED SCHOOL CONSTRUCTION BOND.—

3 For purposes of this subchapter, the term ‘qualified school  
4 construction bond’ means any bond issued as part of an  
5 issue if—

6 “(1) 95 percent or more of the proceeds of such  
7 issue are to be used for the construction, rehabilita-  
8 tion, or repair of a public school facility or for the  
9 acquisition of land on which such a facility is to be  
10 constructed with part of the proceeds of such issue,

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

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

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

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

23 “(1) the limitation amount allocated under sub-  
24 section (d) for such calendar year to such issuer,  
25 and

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

6           “(c) NATIONAL LIMITATION ON AMOUNT OF BONDS  
7           DESIGNATED.—There is a national qualified school con-  
8           struction bond limitation for each calendar year. Such lim-  
9           itation is—

10           “(1) \$11,900,000,000 for 2004,

11           “(2) \$11,900,000,000 for 2005, and

12           “(3) except as provided in subsection (f), zero  
13           after 2005.

14           “(d) 60 PERCENT OF LIMITATION ALLOCATED  
15           AMONG STATES.—

16           “(1) IN GENERAL.—60 percent of the limitation  
17           applicable under subsection (c) for any calendar year  
18           shall be allocated by the Secretary among the States  
19           in proportion to the respective numbers of children  
20           in each State who have attained age 5 but not age  
21           18 for the most recent fiscal year ending before such  
22           calendar year. The limitation amount allocated to a  
23           State under the preceding sentence shall be allocated  
24           by the State to issuers within such State.

25           “(2) MINIMUM ALLOCATIONS TO STATES.—

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

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

8                   “(ii) the aggregate amounts allocated  
9 under subsection (e) to large local edu-  
10 cational agencies in such State for such  
11 year,

12 is not less than an amount equal to such  
13 State’s minimum percentage of the amount to  
14 be allocated under paragraph (1) for the cal-  
15 endar year.

16           “(B) MINIMUM PERCENTAGE.—A State’s  
17 minimum percentage for any calendar year is  
18 the minimum percentage described in section  
19 1124(d) of the Elementary and Secondary Edu-  
20 cation Act of 1965 (20 U.S.C. 6334(d)) for  
21 such State for the most recent fiscal year end-  
22 ing before such calendar year.

23           “(3) ALLOCATIONS TO CERTAIN POSSES-  
24 SIONS.—The amount to be allocated under para-  
25 graph (1) to any possession of the United States

1 other than Puerto Rico shall be the amount which  
2 would have been allocated if all allocations under  
3 paragraph (1) were made on the basis of respective  
4 populations of individuals below the poverty line (as  
5 defined by the Office of Management and Budget).  
6 In making other allocations, the amount to be allo-  
7 cated under paragraph (1) shall be reduced by the  
8 aggregate amount allocated under this paragraph to  
9 possessions of the United States.

10 “(4) ALLOCATIONS FOR INDIAN SCHOOLS.—In  
11 addition to the amounts otherwise allocated under  
12 this subsection, \$215,000,000 for calendar year  
13 2004, and \$215,000,000 for calendar year 2005,  
14 shall be allocated by the Secretary of the Interior for  
15 purposes of the construction, rehabilitation, and re-  
16 pair of schools funded by the Bureau of Indian Af-  
17 fairs. In the case of amounts allocated under the  
18 preceding sentence, Indian tribal governments (as  
19 defined in section 7871) shall be treated as qualified  
20 issuers for purposes of this subchapter.

21 “(e) 40 PERCENT OF LIMITATION ALLOCATED  
22 AMONG LARGEST SCHOOL DISTRICTS.—

23 “(1) IN GENERAL.—40 percent of the limitation  
24 applicable under subsection (c) for any calendar year  
25 shall be allocated under paragraph (2) by the Sec-

1       retary among local educational agencies which are  
2       large local educational agencies for such year.

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

12              “(3) ALLOCATION OF UNUSED LIMITATION TO  
13      STATE.—The amount allocated under this subsection  
14      to a large local educational agency for any calendar  
15      year may be reallocated by such agency to the State  
16      in which such agency is located for such calendar  
17      year. Any amount reallocated to a State under the  
18      preceding sentence may be allocated as provided in  
19      subsection (d)(1).

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

1           “(A) among the 100 local educational  
2 agencies with the largest numbers of children  
3 aged 5 through 17 from families living below  
4 the poverty level, as determined by the Sec-  
5 retary using the most recent data available  
6 from the Department of Commerce that are  
7 satisfactory to the Secretary, or

8           “(B) 1 of not more than 25 local edu-  
9 cational agencies (other than those described in  
10 subparagraph (A)) that the Secretary of Edu-  
11 cation determines (based on the most recent  
12 data available satisfactory to the Secretary) are  
13 in particular need of assistance, based on a low  
14 level of resources for school construction, a high  
15 level of enrollment growth, or such other factors  
16 as the Secretary deems appropriate.

17       “(f) CARRYOVER OF UNUSED LIMITATION.—If for  
18 any calendar year—

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

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

24 the limitation amount under such subsection for such  
25 State for the following calendar year shall be increased

1 by the amount of such excess. A similar rule shall apply  
2 to the amounts allocated under subsection (d)(4) or (e).

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

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

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

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

19 “(B) the remaining proceeds of the issue  
20 will be spent with due diligence for such pur-  
21 pose.

22 “(3) EARNINGS ON PROCEEDS.—Any earnings  
23 on proceeds during the temporary period shall be  
24 treated as proceeds of the issue for purposes of ap-

1       plying subsection (a)(1) and paragraph (1) of this  
2       subsection.

3       **“SEC. 1400P. QUALIFIED ZONE ACADEMY BONDS.**

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

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           Rules similar to the rules of section 14000(g) shall  
4           apply for purposes of paragraph (1).

5           “(2) PRIVATE BUSINESS CONTRIBUTION RE-  
6           QUIREMENT.—

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

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

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

1           “(ii) technical assistance in developing  
2           curriculum or in training teachers in order  
3           to promote appropriate market driven tech-  
4           nology in the classroom,

5           “(iii) services of employees as volun-  
6           teer mentors,

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

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

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

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

24           “(B) students in such public school or pro-  
25           gram (as the case may be) will be subject to the

1 same academic standards and assessments as  
2 other students educated by the local educational  
3 agency,

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

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

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

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

22 “(A) constructing, rehabilitating, or repair-  
23 ing the public school facility in which the acad-  
24 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) \$400,000,000 for 2001,

19           “(E) \$400,000,000 for 2002,

20           “(F) \$400,000,000 for 2003,

21           “(G) \$1,500,000,000 for 2004,

22           “(H) \$1,500,000,000 for 2005, and

23           “(I) except as provided in paragraph (3),  
24          zero after 2005.

25          “(2) ALLOCATION OF LIMITATION.—

1           “(A) ALLOCATION AMONG STATES.—

2                   “(i) PRE-2004 LIMITATIONS.—The na-  
3           tional zone academy bond limitations for  
4           calendar years before 2004 shall be allo-  
5           cated by the Secretary among the States  
6           on the basis of their respective populations  
7           of individuals below the poverty line (as de-  
8           fined by the Office of Management and  
9           Budget).

10                   “(ii) LIMITATION AFTER 2003.—The  
11           national zone academy bond limitation for  
12           any calendar year after 2003 shall be allo-  
13           cated by the Secretary among the States in  
14           proportion to the respective amounts each  
15           such State received for Basic Grants under  
16           subpart 2 of part A of title I of the Ele-  
17           mentary and Secondary Education Act of  
18           1965 (20 U.S.C. 6331 et seq.) for the  
19           most recent fiscal year ending before such  
20           calendar year.

21                   “(B) ALLOCATION TO LOCAL EDU-  
22           CATIONAL AGENCIES.—The limitation amount  
23           allocated to a State under subparagraph (A)  
24           shall be allocated by the State to qualified zone  
25           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) (or the corresponding provisions of  
16                 prior law) with respect to qualified zone acad-  
17                 emies within such State,

18          the limitation amount under this subsection for such  
19          State for the following calendar year shall be in-  
20          creased by the amount of such excess.”

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

1           “(8) REPORTING OF CREDIT ON QUALIFIED  
2 PUBLIC SCHOOL MODERNIZATION BONDS.—

3           “(A) IN GENERAL.—For purposes of sub-  
4 section (a), the term ‘interest’ includes amounts  
5 includible in gross income under section  
6 1400N(f) and such amounts shall be treated as  
7 paid on the credit allowance date (as defined in  
8 section 1400N(d)(2)).

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

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

22 (c) CONFORMING AMENDMENTS.—

23           (1) Subchapter U of chapter 1 of such Code is  
24 amended by striking part IV, by redesignating part

1 V as part IV, and by redesignating section 1397F  
2 as section 1397E.

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

“Subchapter Z. Public school modernization provisions.”

6 (3) The table of parts of subchapter U of chap-  
7 ter 1 of such Code is amended by striking the last  
8 2 items and inserting the following item:

“Part IV. Regulations.”

9 (d) EFFECTIVE DATES.—

10 (1) IN GENERAL.—Except as otherwise pro-  
11 vided in this subsection, the amendments made by  
12 this section shall apply to obligations issued after  
13 December 31, 2003.

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

1 **SEC. 3. APPLICATION OF CERTAIN LABOR STANDARDS ON**  
2 **CONSTRUCTION PROJECTS FINANCED**  
3 **UNDER PUBLIC SCHOOL MODERNIZATION**  
4 **PROGRAM.**

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

7 (1) by inserting “(a)” before “All laborers and  
8 mechanics”, and

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

10 “(b)(1) For purposes of this section, the term ‘appli-  
11 cable program’ also includes the qualified zone academy  
12 bond provisions enacted by section 226 of the Taxpayer  
13 Relief Act of 1997 and the program established by section  
14 2 of the America’s Better Classroom Act of 2003.

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

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

21 “(B) include in the construction contract for  
22 such school a requirement that the contractor give  
23 priority in hiring new workers to individuals residing  
24 in such local education area.

25 “(3) In the case of a program described in paragraph  
26 (1), nothing in this subsection or subsection (a) shall be

1 construed to deny any tax credit allowed under such pro-  
 2 gram. If amounts are required to be withheld from con-  
 3 tractors to pay wages to which workers are entitled, such  
 4 amounts shall be treated as expended for construction pur-  
 5 poses in determining whether the requirements of such  
 6 program are met.”.

7 **SEC. 4. EMPLOYMENT AND TRAINING ACTIVITIES RELAT-**  
 8 **ING TO CONSTRUCTION OR RECONSTRUC-**  
 9 **TION OF PUBLIC SCHOOL FACILITIES.**

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

13 “(f) LOCAL EMPLOYMENT AND TRAINING ACTIVI-  
 14 TIES RELATING TO CONSTRUCTION OR RECONSTRUCTION  
 15 OF PUBLIC SCHOOL FACILITIES.—

16 “(1) IN GENERAL.—In order to provide training  
 17 services related to construction or reconstruction of  
 18 public school facilities receiving funding assistance  
 19 under an applicable program, each State shall estab-  
 20 lish a specialized program of training meeting the  
 21 following requirements:

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

24 “(B) The program provides trained work-  
 25 ers for projects for the construction or recon-

1           struction of public school facilities receiving  
2           funding assistance under an applicable pro-  
3           gram.

4           “(C) The program ensures that skilled  
5           workers (residing in the area to be served by  
6           the school facilities) will be available for the  
7           construction or reconstruction work.

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

20          “(3) APPLICABLE PROGRAM.—In this sub-  
21          section, the term ‘applicable program’ has the mean-  
22          ing given the term in section 439(b) of the General  
23          Education Provisions Act (relating to labor stand-  
24          ards).”.

1 (b) STATE PLAN.—Section 112(b)(17)(A) of the  
2 Workforce Investment Act of 1998 (29 U.S.C.  
3 2822(b)(17)(A)) is amended—

4 (1) in clause (iii), by striking “and” at the end;

5 (2) by redesignating clause (iv) as clause (v);

6 and

7 (3) by inserting after clause (iii) the following:

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

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