

109TH CONGRESS
1ST SESSION

H. R. 1742

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

APRIL 20, 2005

Mr. RANGEL 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.

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 2005”.

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 modernization 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, 2010.

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) \$11,000,000,000 for 2006,

11 “(2) \$11,000,000,000 for 2007, and

12 “(3) except as provided in subsection (f), zero
 13 after 2007.

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, \$200,000,000 for calendar year
13 2006, and \$200,000,000 for calendar year 2007,
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) for 2006: \$1,400,000,000, plus the
 16 amount determined under section 1397E(e)(5),

17 “(B) \$1,400,000,000 for 2007, and

18 “(C) except as provided in paragraph (3),
 19 zero after 2007.

20 “(2) ALLOCATION OF LIMITATION.—

21 “(A) ALLOCATION AMONG STATES.—The
 22 national zone academy bond limitation for any
 23 calendar year shall be allocated by the Sec-
 24 retary among the States in proportion to the re-
 25 spective amounts each such State received for

1 Basic Grants under subpart 2 of part A of title
2 I of the Elementary and Secondary Education
3 Act of 1965 (20 U.S.C. 6331 et seq.) for the
4 most recent fiscal year ending before such cal-
5 endar year.

6 “(B) ALLOCATION TO LOCAL EDU-
7 CATIONAL AGENCIES.—The limitation amount
8 allocated to a State under subparagraph (A)
9 shall be allocated by the State to qualified zone
10 academies within such State.

11 “(C) DESIGNATION SUBJECT TO LIMITA-
12 TION AMOUNT.—The maximum aggregate face
13 amount of bonds issued during any calendar
14 year which may be designated under subsection
15 (a) with respect to any qualified zone academy
16 shall not exceed the limitation amount allocated
17 to such academy under subparagraph (B) for
18 such calendar year.

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

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

23 “(B) the amount of bonds issued during
24 such year which are designated under sub-
25 section (a) (or the corresponding provisions of

1 prior law) with respect to qualified zone acad-
 2 emies within such State,
 3 the limitation amount under this subsection for such
 4 State for the following calendar year shall be in-
 5 creased by the amount of such excess.”.

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

10 “(8) REPORTING OF CREDIT ON QUALIFIED
 11 PUBLIC SCHOOL MODERNIZATION BONDS.—

12 “(A) IN GENERAL.—For purposes of sub-
 13 section (a), the term ‘interest’ includes amounts
 14 includible in gross income under section
 15 1400N(f) and such amounts shall be treated as
 16 paid on the credit allowance date (as defined in
 17 section 1400N(d)(2)).

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

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

7 (c) MODIFICATION OF SECTION 1397E.—

8 (1) REPEAL OF RESTRICTION ON ZONE ACAD-
 9 EMY BOND HOLDERS.—

10 (A) Section 1397E(a) is amended by strik-
 11 ing “eligible taxpayer” and inserting “tax-
 12 payer”.

13 (B) Section 1397E(d) is amended by strik-
 14 ing paragraph (6).

15 (C) Section 1397E(i) is amended by strik-
 16 ing “which is an eligible taxpayer”.

17 (2) CARRYOVER OF UNUSED LIMITATION TO
 18 SECTION 1400P.—

19 (A) Section 1397E(e) of such Code is
 20 amended by adding at the end the following
 21 new paragraph:

22 “(5) CARRYOVER OF UNUSED LIMITATION TO
 23 SECTION 1400P AFTER 2004.—If for any calendar
 24 year after 2004—

1 “(A) the limitation amount for any State,
2 exceeds

3 “(B) the amount of bonds issued during
4 such year which are designated under sub-
5 section (d)(1) with respect to qualified zone
6 academies within such State,

7 the limitation amount for such State under section
8 1400P(b) for the following calendar year shall be in-
9 creased by the amount of such excess.”.

10 (B) The heading of section 1397E(e)(4) of
11 such Code is amended by inserting before the
12 period “FROM YEARS BEFORE 2005”.

13 (d) CLERICAL AMENDMENT.—The table of sub-
14 chapters for chapter 1 of such Code is amended by adding
15 at the end the following new item:

 “SUBCHAPTER Z. PUBLIC SCHOOL MODERNIZATION PROVISIONS”.

16 (e) EFFECTIVE DATES.—

17 (1) IN GENERAL.—Except as otherwise pro-
18 vided in this subsection, the amendments made by
19 this section shall apply to obligations issued after
20 December 31, 2005.

21 (2) REPEAL OF RESTRICTION ON ZONE ACAD-
22 EMY BOND HOLDERS.—The amendments made by
23 subsection (c)(1) shall apply to qualified zone acad-
24 emy bonds held on credit allowance dates after De-

1 cember 31, 2005, during taxable years ending after
2 such date.

3 (3) CARRYOVER OF LIMITATION.—The amend-
4 ments made by subsection (c)(2) shall take effect on
5 the date of the enactment of this Act.

6 **SEC. 3. APPLICATION OF CERTAIN LABOR STANDARDS ON**
7 **CONSTRUCTION PROJECTS FINANCED**
8 **UNDER PUBLIC SCHOOL MODERNIZATION**
9 **PROGRAM.**

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

12 (1) by inserting “(a)” before “All laborers and
13 mechanics”, and

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

15 “(b)(1) For purposes of this section, the term ‘appli-
16 cable program’ also includes the qualified zone academy
17 bond provisions enacted by section 226 of the Taxpayer
18 Relief Act of 1997 and the program established by section
19 2 of the America’s Better Classroom Act of 2005.

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

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

1 “(B) include in the construction contract for
 2 such school a requirement that the contractor give
 3 priority in hiring new workers to individuals residing
 4 in such local education area.

5 “(3) In the case of a program described in paragraph
 6 (1), nothing in this subsection or subsection (a) shall be
 7 construed to deny any tax credit allowed under such pro-
 8 gram. If amounts are required to be withheld from con-
 9 tractors to pay wages to which workers are entitled, such
 10 amounts shall be treated as expended for construction pur-
 11 poses in determining whether the requirements of such
 12 program are met.”.

13 **SEC. 4. EMPLOYMENT AND TRAINING ACTIVITIES RELAT-**
 14 **ING TO CONSTRUCTION OR RECONSTRUC-**
 15 **TION OF PUBLIC SCHOOL FACILITIES.**

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

19 “(f) LOCAL EMPLOYMENT AND TRAINING ACTIVI-
 20 TIES RELATING TO CONSTRUCTION OR RECONSTRUCTION
 21 OF PUBLIC SCHOOL FACILITIES.—

22 “(1) IN GENERAL.—In order to provide training
 23 services related to construction or reconstruction of
 24 public school facilities receiving funding assistance
 25 under an applicable program, each State shall estab-

1 lish a specialized program of training meeting the
2 following requirements:

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

5 “(B) The program provides trained work-
6 ers for projects for the construction or recon-
7 struction of public school facilities receiving
8 funding assistance under an applicable pro-
9 gram.

10 “(C) The program ensures that skilled
11 workers (residing in the area to be served by
12 the school facilities) will be available for the
13 construction or reconstruction work.

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

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

6 (b) STATE PLAN.—Section 112(b)(17)(A) of the
7 Workforce Investment Act of 1998 (29 U.S.C.
8 2822(b)(17)(A)) is amended—

9 (1) in clause (iii), by striking “and” at the end;
10 (2) by redesignating clause (iv) as clause (v);
11 and

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

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

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