

110TH CONGRESS
1ST SESSION

H. R. 1862

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

IN THE HOUSE OF REPRESENTATIVES

APRIL 16, 2007

Ms. LORETTA SANCHEZ of California introduced the following bill; which was referred to the Committee on Ways and Means

A BILL

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

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

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “Expand and Rebuild
5 America’s Schools Act of 2007”.

6 **SEC. 2. FINDINGS.**

7 The Congress finds the following:

8 (1) The National Center for Education Statis-
9 tics projects that public school enrollment will reach
10 53,000,000 in 2010, an increase of 3,500,000 from

1 the 2003 enrollment level. Many States and school
2 districts will need to build new schools in order to
3 accommodate this increase in student enrollments.

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. Research has shown that students as-
13 signed to schools in poor condition can be expected
14 to fall 10.9 percentage points behind those in build-
15 ings in excellent condition. Similar studies have dem-
16 onstrated up to a 20 percent improvement in test
17 scores when students were moved from a school with
18 poor facilities to a new facility.

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

19 The purposes of this Act are—

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

23 (2) to help local educational agencies bring all
24 public school facilities up to an acceptable standard
25 and build the additional classrooms needed to edu-

1 cate the growing number of students who will enroll
2 in the next decade.

3 **SEC. 4. CREDIT TO HOLDERS OF SCHOOL CONSTRUCTION**
4 **BONDS.**

5 (a) IN GENERAL.—Subpart B of part IV of sub-
6 chapter A of chapter 1 of the Internal Revenue Code of
7 1986 (relating to business-related credits) is amended by
8 adding at the end the following new section:

9 **“SEC. 30D. CREDIT TO HOLDERS OF SCHOOL CONSTRUC-**
10 **TION BONDS.**

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

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

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

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

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

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

7 “(2) the sum of the credits allowable under this
8 part (other than under this section and subpart C
9 thereof, relating to refundable credits) and section
10 1397E.

11 “(d) SCHOOL CONSTRUCTION BOND.—For purposes
12 of this section—

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

16 “(A) 95 percent or more of the proceeds of
17 such issue are to be used for a qualified pur-
18 pose with respect to a new qualified school es-
19 tablished by an eligible local education agency,

20 “(B) the bond is issued by a State or local
21 government within the jurisdiction of which
22 such school is located,

23 “(C) the issuer—

24 “(i) designates such bond for purposes
25 of this section,

1 “(ii) certifies that it has written as-
2 surances that the private business con-
3 tribution requirement of paragraph (2) will
4 be met with respect to such school, and

5 “(iii) certifies that it has the written
6 approval of the eligible local education
7 agency for such bond issuance,

8 “(D) the term of each bond which is part
9 of such issue does not exceed the maximum
10 term permitted under section 1397E(d)(3), and

11 “(E) the issue meets requirements similar
12 to the requirements of subsections (f), (g), and
13 (h) of section 1397E.

14 “(2) PRIVATE BUSINESS CONTRIBUTION RE-
15 QUIREMENT.—

16 “(A) IN GENERAL.—For purposes of para-
17 graph (1), the private business contribution re-
18 quirement of this paragraph is met with respect
19 to any issue if the eligible local education agen-
20 cy that established the qualified school has writ-
21 ten commitments from private entities to make
22 qualified contributions having a present value
23 (as of the date of issuance of the issue) of not
24 less than 10 percent of the proceeds of the
25 issue.

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

6 “(i) equipment for use in the qualified
7 school (including state-of-the-art tech-
8 nology and vocational equipment),

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

13 “(iii) services of employees as volun-
14 teer mentors,

15 “(iv) internships, field trips, or other
16 educational opportunities outside the
17 school for students, or

18 “(v) any other property or service
19 specified by the eligible local education
20 agency.

21 “(3) QUALIFIED SCHOOL.—

22 “(A) IN GENERAL.—The term ‘qualified
23 school’ means any public school which is estab-
24 lished by and operated under the supervision of
25 an eligible local education agency to provide

1 education or training below the postsecondary
2 level if—

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

9 “(ii) students in such public school
10 will be subject to the same academic stand-
11 ards and assessments as other students
12 educated by the local education agency,

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

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

20 “(I) There is a reasonable expec-
21 tation (as of the date of issuance of
22 the bonds) that at least 35 percent of
23 the population attending such public
24 school will be eligible for free or re-
25 duced-cost lunches under the school

1 lunch program established under the
2 National School Lunch Act.

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

10 “(III) The average student-teach-
11 er ratio for such district as of the
12 date of issuance of the bonds is at
13 least 28 to 1.

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

19 “(4) QUALIFIED PURPOSE.—

20 “(A) IN GENERAL.—The term ‘qualified
21 purpose’ means, with respect to any qualified
22 school—

23 “(i) constructing a new school facility,
24 and

1 “(ii) providing equipment for use at
2 such facility.

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

13 “(e) LIMITATION ON AMOUNT OF BONDS DES-
14 IGNATED.—

15 “(1) NATIONAL LIMITATION.—There is a na-
16 tional school construction bond limitation for each
17 calendar year. Such limitation is \$400,000,000 for
18 2008 and 2009, and, except for carryovers as pro-
19 vided under the rules applicable under paragraph
20 (4), zero thereafter.

21 “(2) ALLOCATION OF LIMITATION.—The na-
22 tional school construction bond limitation for a cal-
23 endar year shall be allocated by the Secretary among
24 the States on the basis of their respective popu-
25 lations of individuals below the poverty line (as de-

1 fined by the Office of Management and Budget).
2 The limitation amount allocated to a State under the
3 preceding sentence shall be allocated by the Sec-
4 retary of Education to qualified schools within such
5 State.

6 “(3) DESIGNATION SUBJECT TO LIMITATION
7 AMOUNT.—The maximum aggregate face amount of
8 bonds issued during any calendar year which may be
9 designated under subsection (d)(1) with respect to
10 any qualified school shall not exceed the limitation
11 amount allocated to such school under paragraph (2)
12 for such calendar year.

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

15 “(A) the limitation amount for any State,
16 exceeds

17 “(B) the amount of bonds issued during
18 such year which are designated under sub-
19 section (d)(1) with respect to qualified schools
20 within such State, the limitation amount for
21 such State for the following calendar year shall
22 be increased by the amount of such excess.

23 “(f) OTHER DEFINITIONS.—The definitions in sub-
24 sections (d)(6) and (i) of section 1397E shall apply for
25 purposes of this section.

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

4 (b) CONFORMING AMENDMENT.—The table of sec-
5 tions for subpart B of part IV of subchapter A of chapter
6 1 of such Code is amended by adding at the end the fol-
7 lowing new item:

“Sec. 30D. Credit to holders of school construction bonds.”.

8 (c) EFFECTIVE DATE.—The amendments made by
9 this section shall apply to obligations issued after Decem-
10 ber 31, 2007.

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