

106TH CONGRESS
1ST SESSION

H. R. 1660

To amend the Internal Revenue Code of 1986 to expand the incentives for the construction and renovation of public schools and to provide tax incentives for corporations to participate in cooperative agreements with public schools in distressed areas.

IN THE HOUSE OF REPRESENTATIVES

MAY 4, 1999

Mr. RANGEL (for himself, Mr. GEPHARDT, Mr. BONIOR, Mr. STARK, Mr. MATSUI, Mr. COYNE, Mr. LEVIN, Mr. CARDIN, Mr. McDERMOTT, Mr. LEWIS of Georgia, Mr. NEAL of Massachusetts, Mr. McNULTY, Mr. JEFFERSON, Mr. BECERRA, Mrs. THURMAN, Mr. ABERCROMBIE, Mr. ACKERMAN, Mr. ALLEN, Mr. BALDACCI, Mr. BARRETT of Wisconsin, Ms. BERKLEY, Mr. BLAGOJEVICH, Mr. BLUMENAUER, Mr. BORSKI, Ms. BROWN of Florida, Mr. BROWN of California, Mr. CAPUANO, Ms. CARSON, Mrs. CHRISTENSEN, Mrs. CLAYTON, Mr. CONYERS, Mr. CROWLEY, Mr. DAVIS of Virginia, Ms. DeGETTE, Mr. DELAHUNT, Ms. DeLAURO, Mr. DEUTSCH, Mr. DINGELL, Mr. DIXON, Mr. ETHERIDGE, Mr. FARR of California, Mr. FATTAH, Mr. FILNER, Mr. FRANK of Massachusetts, Mr. FROST, Mr. GEJDENSON, Mr. GORDON, Mr. HINCHEY, Mr. HINOJOSA, Ms. NORTON, Mr. INSLEE, Mr. KENNEDY of Rhode Island, Ms. KILPATRICK, Mr. KUCINICH, Mr. LaFALCE, Mr. LAMPSON, Mr. LATOURETTE, Mrs. LOWEY, Mrs. MALONEY of New York, Mr. MALONEY of Connecticut, Mr. MARTINEZ, Mr. MASCARA, Mr. MCGOVERN, Ms. MILLENDER-McDONALD, Mr. MOAKLEY, Mr. OLVER, Mr. PAYNE, Ms. PELOSI, Mr. POMEROY, Mr. QUINN, Ms. RIVERS, Mr. ROTHMAN, Mr. RUSH, Ms. SANCHEZ, Mr. SANDERS, Mr. SANDLIN, Mr. SAWYER, Ms. SCHAKOWSKY, Mr. SHOWS, Ms. SLAUGHTER, Mr. STRICKLAND, Mr. TIERNEY, Mrs. JONES of Ohio, Mr. WAXMAN, Mr. WEINER, Mr. WEXLER, Mr. WEYGAND, Ms. WOOLSEY, and Mr. WYNN) 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 and to provide tax incentives for corporations to participate in cooperative agreements with public schools in distressed areas.

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. EXPANSION OF INCENTIVES FOR PUBLIC SCHOOLS.**

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

10 **“Subchapter X—Public School Modernization** 11 **Provisions**

“Part I. Credit to holders of qualified public school modernization bonds.

“Part II. Qualified school construction bonds.

“Part III. Incentives for education zones.

12 **“PART I—CREDIT TO HOLDERS OF QUALIFIED** 13 **PUBLIC SCHOOL MODERNIZATION BONDS**

“Sec. 1400F. Credit to holders of qualified public school modernization bonds.

1 **“SEC. 1400F. CREDIT TO HOLDERS OF QUALIFIED PUBLIC**
2 **SCHOOL MODERNIZATION BONDS.**

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

11 “(b) AMOUNT OF CREDIT.—

12 “(1) IN GENERAL.—The amount of the credit
13 determined under this subsection with respect to any
14 credit allowance date for a qualified public school
15 modernization bond is 25 percent of the annual
16 credit determined with respect to such bond.

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

20 “(A) the applicable credit rate, multiplied
21 by

22 “(B) the outstanding face amount of the
23 bond.

24 “(3) APPLICABLE CREDIT RATE.—For purposes
25 of paragraph (1), the applicable credit rate with re-
26 spect to an issue is the rate equal to an average

1 market yield (as of the day before the date of
 2 issuance of the issue) on outstanding long-term cor-
 3 porate debt obligations (determined under regula-
 4 tions prescribed by the Secretary).

5 “(4) SPECIAL RULE FOR ISSUANCE AND RE-
 6 DEMPTION.—In the case of a bond which is issued
 7 during the 3-month period ending on a credit allow-
 8 ance date, the amount of the credit determined
 9 under this subsection with respect to such credit al-
 10 lowance date shall be a ratable portion of the credit
 11 otherwise determined based on the portion of the 3-
 12 month period during which the bond is outstanding.
 13 A similar rule shall apply when the bond is re-
 14 deemed.

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

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

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

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

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

7 “(d) QUALIFIED PUBLIC SCHOOL MODERNIZATION
 8 BOND; CREDIT ALLOWANCE DATE.—For purposes of this
 9 section—

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

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

14 “(B) a qualified school construction bond.

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

17 “(A) March 15,

18 “(B) June 15,

19 “(C) September 15, and

20 “(D) December 15.

21 Such term includes the last day on which the bond
 22 is outstanding.

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

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—

15 “(A) any stadium or other facility pri-
16 marily used for athletic contests or exhibitions
17 or other events for which admission is charged
18 to the general public, or

19 “(B) any facility which is not owned by a
20 State or local government or any agency or in-
21 strumentality of a State or local government.

22 “(f) CREDIT INCLUDED IN GROSS INCOME.—Gross
23 income includes the amount of the credit allowed to the
24 taxpayer under this section (determined without regard to

1 subsection (c)) and the amount so included shall be treat-
 2 ed as interest income.

3 “(g) BONDS HELD BY REGULATED INVESTMENT
 4 COMPANIES.—If any qualified public school modernization
 5 bond is held by a regulated investment company, the credit
 6 determined under subsection (a) shall be allowed to share-
 7 holders of such company under procedures prescribed by
 8 the Secretary.

9 “(h) CREDITS MAY BE STRIPPED.—Under regula-
 10 tions prescribed by the Secretary—

11 “(1) IN GENERAL.—There may be a separation
 12 (including at issuance) of the ownership of a quali-
 13 fied public school modernization bond and the enti-
 14 tlement to the credit under this section with respect
 15 to such bond. In case of any such separation, the
 16 credit under this section shall be allowed to the per-
 17 son who on the credit allowance date holds the in-
 18 strument evidencing the entitlement to the credit
 19 and not to the holder of the bond.

20 “(2) CERTAIN RULES TO APPLY.—In the case
 21 of a separation described in paragraph (1), the rules
 22 of section 1286 shall apply to the qualified public
 23 school modernization bond as if it were a stripped
 24 bond and to the credit under this section as if it
 25 were a stripped coupon.

11 “(k) REPORTING.—Issuers of qualified public school
12 modernization bonds shall submit reports similar to the
13 reports required under section 149(e).

16 **“PART II—QUALIFIED SCHOOL CONSTRUCTION**
17 **BONDS**

18 **“SEC. 1400G. QUALIFIED SCHOOL CONSTRUCTION BONDS.**

23 “(1) 95 percent or more of the proceeds of such
24 issue are to be used for the construction, rehabilita-

1 tion, or repair of a public school facility or for the
2 acquisition of land on which such a facility is to be
3 constructed with part of the proceeds of such issue,

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

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

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

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

16 “(1) the limitation amount allocated under sub-
17 section (d) for such calendar year to such issuer,
18 and

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

24 “(c) NATIONAL LIMITATION ON AMOUNT OF BONDS
25 DESIGNATED.—There is a national qualified school con-

1 instruction bond limitation for each calendar year. Such lim-
 2 itation is—

3 “(1) \$11,000,000,000 for 2000,

4 “(2) \$11,000,000,000 for 2001, and

5 “(3) except as provided in subsection (f), zero
 6 after 2001.

7 “(d) HALF OF LIMITATION ALLOCATED AMONG
 8 STATES.—

9 “(1) IN GENERAL.—One-half of the limitation
 10 applicable under subsection (c) for any calendar year
 11 shall be allocated among the States under paragraph
 12 (2) by the Secretary. The limitation amount allo-
 13 cated to a State under the preceding sentence shall
 14 be allocated by the State to issuers within such
 15 State and such allocations may be made only if there
 16 is an approved State application.

17 “(2) ALLOCATION FORMULA.—The amount to
 18 be allocated under paragraph (1) for any calendar
 19 year shall be allocated among the States in propor-
 20 tion to the respective amounts each such State re-
 21 ceived for Basic Grants under subpart 2 of part A
 22 of title I of the Elementary and Secondary Edu-
 23 cation Act of 1965 (20 U.S.C. 6331 et seq.) for the
 24 most recent fiscal year ending before such calendar
 25 year. For purposes of the preceding sentence, Basic

1 Grants attributable to large local educational agen-
2 cies (as defined in subsection (e)) shall be dis-
3 regarded.

4 “(3) MINIMUM ALLOCATIONS TO STATES.—

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

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

12 “(ii) the aggregate amounts allocated
13 under subsection (e) to large local edu-
14 cational agencies in such State for such
15 year,

16 is not less than an amount equal to such
17 State’s minimum percentage of the amount to
18 be allocated under paragraph (1) for the cal-
19 endar year.

20 “(B) MINIMUM PERCENTAGE.—A State’s
21 minimum percentage for any calendar year is
22 the minimum percentage described in section
23 1124(d) of the Elementary and Secondary Edu-
24 cation Act of 1965 (20 U.S.C. 6334(d)) for

1 such State for the most recent fiscal year end-
2 ing before such calendar year.

3 “(4) ALLOCATIONS TO CERTAIN POSSES-
4 SIONS.—The amount to be allocated under para-
5 graph (1) to any possession of the United States
6 other than Puerto Rico shall be the amount which
7 would have been allocated if all allocations under
8 paragraph (1) were made on the basis of respective
9 populations of individuals below the poverty line (as
10 defined by the Office of Management and Budget).
11 In making other allocations, the amount to be allo-
12 cated under paragraph (1) shall be reduced by the
13 aggregate amount allocated under this paragraph to
14 possessions of the United States.

15 “(5) ALLOCATIONS FOR INDIAN SCHOOLS.—In
16 addition to the amounts otherwise allocated under
17 this subsection, \$200,000,000 for calendar year
18 2000, and \$200,000,000 for calendar year 2001,
19 shall be allocated by the Secretary of the Interior for
20 purposes of the construction, rehabilitation, and re-
21 pair of schools funded by the Bureau of Indian Af-
22 fairs. In the case of amounts allocated under the
23 preceding sentence, Indian tribal governments (as
24 defined in section 7871) shall be treated as qualified
25 issuers for purposes of this subchapter.

1 “(6) APPROVED STATE APPLICATION.—For
2 purposes of paragraph (1), the term ‘approved State
3 application’ means an application which is approved
4 by the Secretary of Education and which includes—

5 “(A) the results of a recent publicly-avail-
6 able survey (undertaken by the State with the
7 involvement of local education officials, mem-
8 bers of the public, and experts in school con-
9 struction and management) of such State’s
10 needs for public school facilities, including de-
11 scriptions of—

12 “(i) health and safety problems at
13 such facilities,

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

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

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

1 graph (A), including a description of how it
2 will—

3 “(i) give highest priority to localities
4 with the greatest needs, as demonstrated
5 by inadequate school facilities coupled with
6 a low level of resources to meet those
7 needs,

8 “(ii) use its allocation under this sub-
9 section to assist localities that lack the fis-
10 cal capacity to issue bonds on their own,
11 and

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

18 Any allocation under paragraph (1) by a State shall
19 be binding if such State reasonably determined that
20 the allocation was in accordance with the plan ap-
21 proved under this paragraph.

22 “(e) HALF OF LIMITATION ALLOCATED AMONG
23 LARGEST SCHOOL DISTRICTS.—

24 “(1) IN GENERAL.—One-half of the limitation
25 applicable under subsection (c) for any calendar year

1 shall be allocated under paragraph (2) by the Sec-
2 retary among local educational agencies which are
3 large local educational agencies for such year. No
4 qualified school construction bond may be issued by
5 reason of an allocation to a large local educational
6 agency under the preceding sentence unless such
7 agency has an approved local application.

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

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

1 “(4) LARGE LOCAL EDUCATIONAL AGENCY.—

2 For purposes of this section, the term ‘large local
3 educational agency’ means, with respect to a cal-
4 endar year, any local educational agency if such
5 agency is—

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

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

22 “(5) APPROVED LOCAL APPLICATION.—For
23 purposes of paragraph (1), the term ‘approved local
24 application’ means an application which is approved
25 by the Secretary of Education and which includes—

1 “(A) the results of a recent publicly-avail-
2 able survey (undertaken by the local educational
3 agency or the State with the involvement of
4 school officials, members of the public, and ex-
5 perts in school construction and management)
6 of such agency’s needs for public school facili-
7 ties, including descriptions of—

8 “(i) the overall condition of the local
9 educational agency’s school facilities, in-
10 cluding health and safety problems,

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

13 “(iii) the extent to which the agency’s
14 schools offer the physical infrastructure
15 needed to provide a high-quality education
16 to all students,

17 “(B) a description of how the local edu-
18 cational agency will use its allocation under this
19 subsection to address the needs identified under
20 subparagraph (A), and

21 “(C) a description of how the local edu-
22 cational agency will ensure that its allocation
23 under this subsection is used only to supple-
24 ment, and not supplant, the amount of school
25 construction, rehabilitation, or repair in the lo-

1 cality that would have occurred in the absence
2 of such allocation.

3 A rule similar to the rule of the last sentence of sub-
4 section (d)(6) shall apply for purposes of this para-
5 graph.

6 “(f) CARRYOVER OF UNUSED LIMITATION.—If for
7 any calendar year—

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

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

13 the limitation amount under such subsection for such
14 State for the following calendar year shall be increased
15 by the amount of such excess. A similar rule shall apply
16 to the amounts allocated under subsection (d)(5) or (e).

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

18 “(1) IN GENERAL.—A bond shall not be treated
19 as failing to meet the requirement of subsection
20 (a)(1) solely by reason of the fact that the proceeds
21 of the issue of which such bond is a part are in-
22 vested for a temporary period (but not more than 36
23 months) until such proceeds are needed for the pur-
24 pose for which such issue was issued.

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

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

9 “(B) the remaining proceeds of the issue
 10 will be spent with due diligence for such pur-
 11 pose.

12 “(3) EARNINGS ON PROCEEDS.—Any earnings
 13 on proceeds during the temporary period shall be
 14 treated as proceeds of the issue for purposes of ap-
 15 plying subsection (a)(1) and paragraph (1) of this
 16 subsection.

17 **“PART III—INCENTIVES FOR EDUCATION ZONES**

 “Sec. 1400H. Qualified zone academy bonds.

 “Sec. 1400I. Corporate contributions to specialized training cen-
 ters.

18 **“SEC. 1400H. QUALIFIED ZONE ACADEMY BONDS.**

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

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

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

5 “(B) the bond is issued by a State or local
6 government within the jurisdiction of which
7 such academy is located,

8 “(C) the issuer—

9 “(i) designates such bond for purposes
10 of this section,

11 “(ii) certifies that it has written as-
12 surances that the private business con-
13 tribution requirement of paragraph (2) will
14 be met with respect to such academy, and

15 “(iii) certifies that it has the written
16 approval of the local educational agency
17 for such bond issuance, and

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

20 Rules similar to the rules of section 1400G(g) shall
21 apply for purposes of paragraph (1).

22 “(2) PRIVATE BUSINESS CONTRIBUTION RE-
23 QUIREMENT.—

24 “(A) IN GENERAL.—For purposes of para-
25 graph (1), the private business contribution re-

1 quirement of this paragraph is met with respect
2 to any issue if the local educational agency that
3 established the qualified zone academy has writ-
4 ten commitments from private entities to make
5 qualified contributions having a present value
6 (as of the date of issuance of the issue) of not
7 less than 10 percent of the proceeds of the
8 issue.

9 “(B) QUALIFIED CONTRIBUTIONS.—For
10 purposes of subparagraph (A), the term ‘quali-
11 fied contribution’ means any contribution (of a
12 type and quality acceptable to the local edu-
13 cational agency) of—

14 “(i) equipment for use in the qualified
15 zone academy (including state-of-the-art
16 technology and vocational equipment),

17 “(ii) technical assistance in developing
18 curriculum or in training teachers in order
19 to promote appropriate market driven tech-
20 nology in the classroom,

21 “(iii) services of employees as volun-
22 teer mentors,

23 “(iv) internships, field trips, or other
24 educational opportunities outside the acad-
25 emy for students, or

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

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

9 “(A) such public school or program (as the
10 case may be) is designed in cooperation with
11 business to enhance the academic curriculum,
12 increase graduation and employment rates, and
13 better prepare students for the rigors of college
14 and the increasingly complex workforce,

15 “(B) students in such public school or pro-
16 gram (as the case may be) will be subject to the
17 same academic standards and assessments as
18 other students educated by the local educational
19 agency,

20 “(C) the comprehensive education plan of
21 such public school or program is approved by
22 the local educational agency, and

23 “(D)(i) such public school is located in an
24 empowerment zone or enterprise community
25 (including any such zone or community des-

1 ignated after the date of the enactment of this
2 section), or

3 “(ii) there is a reasonable expectation (as
4 of the date of issuance of the bonds) that at
5 least 35 percent of the students attending such
6 school or participating in such program (as the
7 case may be) will be eligible for free or reduced-
8 cost lunches under the school lunch program es-
9 tablished under the National School Lunch Act.

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

13 “(A) constructing, rehabilitating, or repair-
14 ing the public school facility in which the acad-
15 emy is established,

16 “(B) acquiring the land on which such fa-
17 cility is to be constructed with part of the pro-
18 ceeds of such issue,

19 “(C) providing equipment for use at such
20 academy,

21 “(D) developing course materials for edu-
22 cation to be provided at such academy, and

23 “(E) training teachers and other school
24 personnel in such academy.

1 “(b) LIMITATIONS ON AMOUNT OF BONDS DES-
2 IGNATED.—

3 “(1) IN GENERAL.—There is a national zone
4 academy bond limitation for each calendar year.
5 Such limitation is—

6 “(A) \$400,000,000 for 1998,

7 “(B) \$400,000,000 for 1999,

8 “(C) \$1,000,000,000 for 2000,

9 “(D) \$1,400,000,000 for 2001, and

10 “(E) except as provided in paragraph (3),
11 zero after 2001.

12 “(2) ALLOCATION OF LIMITATION.—

13 “(A) ALLOCATION AMONG STATES.—

14 “(i) 1998 and 1999 LIMITATIONS.—

15 The national zone academy bond limita-
16 tions for calendar years 1998 and 1999
17 shall be allocated by the Secretary among
18 the States on the basis of their respective
19 populations of individuals below the pov-
20 erty line (as defined by the Office of Man-
21 agement and Budget).

22 “(ii) LIMITATION AFTER 1999.—The
23 national zone academy bond limitation for
24 any calendar year after 1999 shall be allo-
25 cated by the Secretary among the States in

1 the manner prescribed by section
2 1400G(d); except that in making the allo-
3 cation under this clause, the Secretary
4 shall take into account—

5 “(I) Basic Grants attributable to
6 large local educational agencies (as
7 defined in section 1400G(e)).

8 “(II) the national zone academy
9 bond limitation.

10 “(B) ALLOCATION TO LOCAL EDU-
11 CATIONAL AGENCIES.—The limitation amount
12 allocated to a State under subparagraph (A)
13 shall be allocated by the State education agency
14 to qualified zone academies within such State.

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

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

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

3 “(B) the amount of bonds issued during
4 such year which are designated under sub-
5 section (a) (or the corresponding provisions of
6 prior law) with respect to qualified zone acad-
7 emies within such State,
8 the limitation amount under this subsection for such
9 State for the following calendar year shall be in-
10 creased by the amount of such excess.

11 **“SEC. 1400I. CORPORATE CONTRIBUTIONS TO SPECIALIZED**
12 **TRAINING CENTERS.**

13 “(a) GENERAL RULE.—For purposes of section 38,
14 in the case of a corporation, the specialized training center
15 credit determined under this section is an amount equal
16 to 50 percent of the amount of the designated qualified
17 contributions made by the taxpayer during the taxable
18 year to a specialized training center.

19 “(b) DEFINITIONS.—For purposes of this section—

20 “(1) SPECIALIZED TRAINING CENTER.—The
21 term ‘specialized training center’ means any quali-
22 fied zone academy (as defined in section
23 1400H(a)(3))—

24 “(A) which is located in an empowerment
25 zone or enterprise community, or

1 “(B) which is located in proximity to such
 2 a zone or community and a significant number
 3 of the students attending such academy have
 4 their principal place of abode in such zone or
 5 community.

6 “(2) DESIGNATED QUALIFIED CONTRIBU-
 7 TIONS.—The term ‘designated qualified contribution’
 8 means any contribution—

9 “(A) which is made pursuant to an agree-
 10 ment under which the taxpayer participates in
 11 the design of the academic program of the spe-
 12 cialized training center, and

13 “(B) which is designated under subsection
 14 (c).

15 “(c) DESIGNATION OF CONTRIBUTIONS.—

16 “(1) LIMITATION ON AMOUNT DESIGNATED.—
 17 The maximum amount of contributions made which
 18 may be designated under this subsection with re-
 19 spect to all specialized training centers located an
 20 empowerment zone or enterprise community shall
 21 not exceed—

22 “(A) \$8,000,000 in the case of an em-
 23 powerment zone, and

24 “(B) \$2,000,000 in the case of an enter-
 25 prise community.

1 “(2) DESIGNATIONS.—Designations under this
2 subsection shall be made (in consultation with the
3 local educational agency) by the local government
4 agency responsible for implementing the strategic
5 plan described in section 1391(f)(2) for the em-
6 powerment zone or enterprise community.

7 “(d) VALUE OF CONTRIBUTIONS.—The amount of
8 any designated qualified contribution which may be taken
9 into account under this section shall be—

10 “(1) the amount of such contribution which
11 would be allowed as a deduction under section 170
12 without regard to section 280C(d), or

13 “(2) in the case of a contribution of services
14 performed on the premises of a specialized training
15 center by an employee of the taxpayer, the amount
16 of wages (as defined in section 3306(b) but without
17 regard to any dollar limitation contained in such sec-
18 tion) paid by the taxpayer for such services.”

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

23 “(8) REPORTING OF CREDIT ON QUALIFIED
24 PUBLIC SCHOOL MODERNIZATION BONDS.—

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

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

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

20 (c) CONFORMING AMENDMENTS RELATED TO CRED-
 21 IT FOR CORPORATE CONTRIBUTIONS TO SPECIALIZED
 22 TRAINING CENTERS.—

23 (1) DENIAL OF DOUBLE BENEFIT.—Section
 24 280C of such Code is amended by adding at the end
 25 the following new subsection:

1 “(d) CREDIT FOR CORPORATE CONTRIBUTIONS TO
 2 SPECIALIZED TRAINING CENTERS.—No deduction shall
 3 be allowed for that portion of the designated qualified con-
 4 tributions (as defined in section 1400I(b)) made during
 5 the taxable year which is equal to the credit determined
 6 for the taxable year under section 1400I(a). Paragraph
 7 (3) of subsection (b) shall apply for purposes of this sub-
 8 section.”

9 (2) CREDIT TO BE PART OF GENERAL BUSI-
 10 NESS CREDIT.—

11 (A) Section 38(b) of such Code is
 12 amended—

13 (i) by striking “plus” at the end of
 14 paragraph (11),

15 (ii) by striking the period at the end
 16 of paragraph (12) and inserting “, plus”,
 17 and

18 (iii) by adding at the end the fol-
 19 lowing new paragraph:

20 “(13) in the case of a corporation, the special-
 21 ized training center credit determined under section
 22 1400I(a).”

23 (B) Subsection (d) of section 39 of such
 24 Code (relating to carryback and carryforward of

1 unused credits) is amended by adding at the
 2 end the following new paragraph:

3 “(9) NO CARRYBACK OF SECTION 1400I CREDIT
 4 BEFORE JANUARY 1, 2000.—No portion of the un-
 5 used business credit for any taxable year which is
 6 attributable to the credit determined under section
 7 1400I may be carried back to a taxable year begin-
 8 ning before January 1, 2000.”.

9 (d) OTHER CONFORMING AMENDMENTS.—

10 (1) Subchapter U of chapter 1 of such Code is
 11 amended by striking part IV, by redesignating part
 12 V as part IV, and by redesignating section 1397F
 13 as section 1397E.

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

“Subchapter X. Public school modernization provisions.”

17 (3) The table of parts of subchapter U of chap-
 18 ter 1 of such Code is amended by striking the last
 19 2 items and inserting the following item:

“Part IV. Regulations.”

20 (e) EFFECTIVE DATES.—

21 (1) IN GENERAL.—Except as otherwise pro-
 22 vided in this subsection, the amendments made by
 23 this section shall apply to obligations issued after
 24 December 31, 1999.

1 (2) CREDIT FOR CORPORATE CONTRIBUTIONS
 2 TO SPECIALIZED TRAINING CENTERS.—Section
 3 1400I of the Internal Revenue Code of 1986 (as
 4 added by this section) shall apply to taxable years
 5 beginning after December 31, 1999.

6 (3) REPEAL OF RESTRICTION ON ZONE ACAD-
 7 EMY BOND HOLDERS.—In the case of bonds to
 8 which section 1397E of the Internal Revenue Code
 9 of 1986 (as in effect before the date of the enact-
 10 ment of this Act) applies, the limitation of such sec-
 11 tion to eligible taxpayers (as defined in subsection
 12 (d)(6) of such section) shall not apply after the date
 13 of the enactment of this Act.

14 **SEC. 3. APPLICATION OF CERTAIN LABOR STANDARDS ON**
 15 **CONSTRUCTION PROJECTS FINANCED**
 16 **UNDER PUBLIC SCHOOL MODERNIZATION**
 17 **PROGRAM.**

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

20 (1) by inserting “(a)” before “All laborers and
 21 mechanics”, and

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

23 “(b)(1) For purposes of this section, the term ‘appli-
 24 cable program’ also includes the qualified zone academy
 25 bond provisions enacted by section 226 of the Taxpayer

1 Relief Act of 1997 and the program established by section
2 2 of the Public School Modernization Act of 1999.

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

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

9 “(B) include in the construction contract for
10 such school a requirement that the contractor give
11 priority in hiring new workers to individuals residing
12 in such local education area.

13 “(3) In the case of a program described in paragraph
14 (1), nothing in this subsection or subsection (a) shall be
15 construed to deny any tax credit allowed under such pro-
16 gram. If amounts are required to be withheld from con-
17 tractors to pay wages to which workers are entitled, such
18 amounts shall be treated as expended for construction pur-
19 poses in determining whether the requirements of such
20 program are met.”.

1 **SEC. 4. EMPLOYMENT AND TRAINING ACTIVITIES RELAT-**
2 **ING TO CONSTRUCTION OR RECONSTRUC-**
3 **TION OF PUBLIC SCHOOL FACILITIES.**

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

7 “(f) LOCAL EMPLOYMENT AND TRAINING ACTIVI-
8 TIES RELATING TO CONSTRUCTION OR RECONSTRUCTION
9 OF PUBLIC SCHOOL FACILITIES.—

10 “(1) IN GENERAL.—In order to provide training
11 services related to construction or reconstruction of
12 public school facilities receiving funding assistance
13 under an applicable program, each State shall estab-
14 lish a specialized program of training meeting the
15 following requirements:

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

18 “(B) The program is designed to provide
19 trained workers for projects for the construction
20 or reconstruction of public school facilities re-
21 ceiving funding assistance under an applicable
22 program.

23 “(C) The program is designed to ensure
24 that skilled workers (residing in the area to be
25 served by the school facilities) will be available
26 for the construction or reconstruction work.

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

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

18 (b) STATE PLAN.—Section 112(b)(17)(A) of the
 19 Workforce Investment Act of 1998 (29 U.S.C.
 20 2822(b)(17)(A)) is amended—

- 21 (1) in clause (iii), by striking “and” at the end;
- 22 (2) by redesignating clause (iv) as clause (v);
- 23 and
- 24 (3) by inserting after clause (iii) the following:

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

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