

107TH CONGRESS  
2D SESSION

# S. 2699

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 SENATE OF THE UNITED STATES

JUNE 27, 2002

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

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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 2002”.

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:

## **1    “Subchapter Z—Public School Modernization**

### **2                          Provisions**

"Sec. 1400M. Credit to holders of qualified public school modernization bonds.

**“Sec. 1400N. Qualified school construction bonds.**

**“Sec. 14000. Qualified zone academy bonds.**

**3 "SEC. 1400M. CREDIT TO HOLDERS OF QUALIFIED PUBLIC  
4 SCHOOL MODERNIZATION BONDS.**

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

**13           “(b) AMOUNT OF CREDIT.—**

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

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

22                         “(A) the applicable credit rate, multiplied  
23                         by

1                 “(B) the outstanding face amount of the  
2                 bond.

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

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

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

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

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

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

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

13       “(d) QUALIFIED PUBLIC SCHOOL MODERNIZATION  
14 BOND; CREDIT ALLOWANCE DATE.—For purposes of this  
15 section—

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

20               “(B) a qualified school construction bond.

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

23 "“(A) March 15

24 "B" June 15

25                         “(C) September 15, and

1                     “(D) December 15.

2       Such term includes the last day on which the bond  
3       is outstanding.

4       “(e) OTHER DEFINITIONS.—For purposes of this  
5       subchapter—

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

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

15                  “(3) STATE.—The term ‘State’ includes the  
16      District of Columbia and any possession of the  
17      United States.

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

20                     “(A) any stadium or other facility pri-  
21      marily used for athletic contests or exhibitions  
22      or other events for which admission is charged  
23      to the general public, or

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

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

9                 “(g) RECAPTURE OF PORTION OF CREDIT WHERE  
10   CESSATION OF COMPLIANCE.—

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

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

23                 “(B) interest at the underpayment rate  
24     under section 6621 on the amount determined  
25     under subparagraph (A) for each calendar year

1           for the period beginning on the first day of  
2           such calendar year.

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

15           “(3) SPECIAL RULES.—

16           “(A) TAX BENEFIT RULE.—The tax for  
17           the taxable year shall be increased under para-  
18           graph (2) only with respect to credits allowed  
19           by reason of this section which were used to re-  
20           duce tax liability. In the case of credits not so  
21           used to reduce tax liability, the carryforwards  
22           and carrybacks under section 39 shall be appro-  
23           priately adjusted.

24           “(B) NO CREDITS AGAINST TAX.—Any in-  
25           crease in tax under paragraph (2) shall not be

1           treated as a tax imposed by this chapter for  
2           purposes of determining—

3               “(i) the amount of any credit allow-  
4               able under this part, or  
5               “(ii) the amount of the tax imposed  
6               by section 55.

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

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

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

24        “(2) CERTAIN RULES TO APPLY.—In the case  
25               of a separation described in paragraph (1), the rules

1       of section 1286 shall apply to the qualified public  
2       school modernization bond as if it were a stripped  
3       bond and to the credit under this section as if it  
4       were a stripped coupon.

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

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

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

18       “(m) TERMINATION.—This section shall not apply to  
19      any bond issued after September 30, 2006.

20      **“SEC. 1400N. QUALIFIED SCHOOL CONSTRUCTION BONDS.**

21       “(a) QUALIFIED SCHOOL CONSTRUCTION BOND.—  
22      For purposes of this subchapter, the term ‘qualified school  
23      construction bond’ means any bond issued as part of an  
24      issue if—

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

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

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

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

13          “(b) LIMITATION ON AMOUNT OF BONDS DES-  
14 IGNATED.—The maximum aggregate face amount of  
15 bonds issued during any calendar year which may be des-  
16 ignated under subsection (a) by any issuer shall not exceed  
17 the limitation amount allocated under subsection (d) for  
18 such calendar year to such issuer.

19          “(c) NATIONAL LIMITATION ON AMOUNT OF BONDS  
20 DESIGNATED.—There is a national qualified school con-  
21 struction bond limitation for each calendar year. Such lim-  
22 itation is—

23           “(1) \$11,000,000,000 for 2003,

24           “(2) \$11,000,000,000 for 2004, and

1               “(3) except as provided in subsection (f), zero  
2               after 2004.

3               “(d) LIMITATION ALLOCATED AMONG STATES.—

4               “(1) IN GENERAL.—The limitation applicable  
5               under subsection (c) for any calendar year shall be  
6               allocated by the Secretary among the States in pro-  
7               portion to the respective amounts each such State  
8               received for Basic Grants under subpart 2 of part A  
9               of title I of the Elementary and Secondary Edu-  
10              cation Act of 1965 (20 U.S.C. 6331 et seq.) for the  
11              most recent fiscal year ending before such calendar  
12              year. The limitation amount allocated to a State  
13              under the preceding sentence shall be allocated by  
14              the State to issuers within such State.

15              “(2) MINIMUM ALLOCATIONS TO STATES.—

16              “(A) IN GENERAL.—The Secretary shall  
17              adjust the allocations under this subsection for  
18              any calendar year for each State to the extent  
19              necessary to ensure that the amount allocated  
20              to such State under this subsection for such  
21              year is not less than an amount equal to such  
22              State’s minimum percentage of the amount to  
23              be allocated under paragraph (1) for the cal-  
24              endar year.

1                 “(B) MINIMUM PERCENTAGE.—A State’s  
2                 minimum percentage for any calendar year is  
3                 the minimum percentage described in section  
4                 1124(d) of the Elementary and Secondary Edu-  
5                 cation Act of 1965 (20 U.S.C. 6334(d)) for  
6                 such State for the most recent fiscal year end-  
7                 ing before such calendar year.

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

20                 “(4) ALLOCATIONS FOR INDIAN SCHOOLS.—In  
21                 addition to the amounts otherwise allocated under  
22                 this subsection, \$200,000,000 for calendar year  
23                 2003, and \$200,000,000 for calendar year 2004,  
24                 shall be allocated by the Secretary of the Interior for  
25                 purposes of the construction, rehabilitation, and re-

1 pair of schools funded by the Bureau of Indian Af-  
2 fairs. In the case of amounts allocated under the  
3 preceding sentence, Indian tribal governments (as  
4 defined in section 7871) shall be treated as qualified  
5 issuers for purposes of this subchapter.

6       “(e) 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)(4).

17       “(f) 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      **“SEC. 14000. QUALIFIED ZONE ACADEMY BONDS.**

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

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

23           “(A) 95 percent or more of the proceeds of  
24      such issue are to be used for a qualified pur-

1 pose with respect to a qualified zone academy  
2 established by a local educational agency,

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

6 “(C) the issuer—

7 “(i) designates such bond for purposes  
8 of this section,

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

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

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

18 Rules similar to the rules of section 1400N(f) shall  
19 apply for purposes of paragraph (1).

20 “(2) PRIVATE BUSINESS CONTRIBUTION RE-  
21 QUIREMENT.—

22 “(A) IN GENERAL.—For purposes of para-  
23 graph (1), the private business contribution re-  
24 quirement of this paragraph is met with respect  
25 to any issue if the local educational agency that

1           established the qualified zone academy has written  
2           commitments from private entities to make  
3           qualified contributions having a present value  
4           (as of the date of issuance of the issue) of not  
5           less than 10 percent of the proceeds of the  
6           issue.

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

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

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

19                 “(iii) services of employees as volun-  
20          teer mentors,

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

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

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

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

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

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

21               “(D)(i) such public school is located in an  
22       empowerment zone or enterprise community  
23       (including any such zone or community des-  
24       ignated after the date of the enactment of this  
25       section), or

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

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

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

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

17                 “(C) providing equipment for use at such  
18                 academy,

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

21                 “(E) training teachers and other school  
22                 personnel in such academy.

23                 “(b) LIMITATIONS ON AMOUNT OF BONDS DES-  
24                 IGNATED.—

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

4           “(A) \$400,000,000 for 1998,  
5           “(B) \$400,000,000 for 1999,  
6           “(C) \$400,000,000 for 2000,  
7           “(D) \$400,000,000 for 2001,  
8           “(E) \$400,000,000 for 2002,  
9           “(F) \$1,400,000,000 for 2003,  
10          “(G) \$1,400,000,000 for 2004, and  
11          “(H) except as provided in paragraph (3),  
12       zero after 2004.

13       “(2) ALLOCATION OF LIMITATION.—

14           “(A) ALLOCATION AMONG STATES.—  
15           “(i) 1998, 1999, 2000, 2001, AND 2002  
16       LIMITATIONS.—The national zone academy  
17       bond limitations for calendar years 1998,  
18       1999, 2000, 2001, and 2002 shall be allo-  
19       cated by the Secretary among the States  
20       on the basis of their respective populations  
21       of individuals below the poverty line (as de-  
22       fined by the Office of Management and  
23       Budget).

24           “(ii) LIMITATION AFTER 2002.—The  
25       national zone academy bond limitation for

1           any calendar year after 2002 shall be allo-  
2           cated by the Secretary among the States  
3           in proportion to the respective amounts  
4           each such State received for Basic Grants  
5           under subpart 2 of part A of title I of the  
6           Elementary and Secondary Education Act  
7           of 1965 (20 U.S.C. 6331 et seq.) for the  
8           most recent fiscal year ending before such  
9           calendar year.

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 to qualified zone  
14           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                 (b) REPORTING.—Subsection (d) of section 6049 of  
12                 the Internal Revenue Code of 1986 (relating to returns  
13                 regarding payments of interest) is amended by adding at  
14                 the end the following new paragraph:

15                 “(8) REPORTING OF CREDIT ON QUALIFIED  
16                 PUBLIC SCHOOL MODERNIZATION BONDS.—

17                 “(A) IN GENERAL.—For purposes of sub-  
18                 section (a), the term ‘interest’ includes amounts  
19                 includible in gross income under section  
20                 1400M(f) and such amounts shall be treated as  
21                 paid on the credit allowance date (as defined in  
22                 section 1400M(d)(2)).

23                 “(B) REPORTING TO CORPORATIONS,  
24                 ETC.—Except as otherwise provided in regula-  
25                 tions, in the case of any interest described in

1           subparagraph (A) of this paragraph, subsection  
2           (b)(4) of this section shall be applied without  
3           regard to subparagraphs (A), (H), (I), (J), (K),  
4           and (L)(i).

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

11          (c) CONFORMING AMENDMENTS.—

12           (1) Subchapter U of chapter 1 of the Internal  
13          Revenue Code of 1986 is amended by striking part  
14          IV, by redesignating part V as part IV, and by re-  
15          designating section 1397F as section 1397E.

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

“Subchapter Z. Public school modernization provisions.”.

19           (3) The table of parts of subchapter U of chap-  
20          ter 1 of such Code is amended by striking the last  
21          2 items and inserting the following item:

“Part IV. Regulations.”.

22          (d) EFFECTIVE DATES.—

23           (1) IN GENERAL.—Except as otherwise pro-  
24          vided in this subsection, the amendments made by

1       this section shall apply to obligations issued after  
2       December 31, 2002.

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

11      **SEC. 3. APPLICATION OF CERTAIN LABOR STANDARDS ON**  
12                     **CONSTRUCTION      PROJECTS      FINANCED**  
13                     **UNDER PUBLIC SCHOOL MODERNIZATION**  
14                     **PROGRAM.**

15       Section 439 of the General Education Provisions Act  
16      (20 U.S.C. 1232b) is amended—

17                     (1) by inserting “(a)” before “All laborers and  
18       mechanics”, and

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

20                     “(b)(1) For purposes of this section, the term ‘appli-  
21       cable program’ also includes the qualified zone academy  
22       bond provisions enacted by section 226 of the Taxpayer  
23       Relief Act of 1997 and the program established by section  
24       2 of the America’s Better Classroom Act of 2002.

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

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

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

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

19 **SEC. 4. EMPLOYMENT AND TRAINING ACTIVITIES RELAT-**  
20 **ING TO CONSTRUCTION OR RECONSTRUC-**  
21 **TION OF PUBLIC SCHOOL FACILITIES.**

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

1       “(f) LOCAL EMPLOYMENT AND TRAINING ACTIVI-  
2 TIES RELATING TO CONSTRUCTION OR RECONSTRUCTION  
3 OF PUBLIC SCHOOL FACILITIES.—

4           “(1) IN GENERAL.—In order to provide training  
5 services related to construction or reconstruction of  
6 public school facilities receiving funding assistance  
7 under an applicable program, each State shall estab-  
8 lish a specialized program of training meeting the  
9 following requirements:

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

12           “(B) The program provides trained work-  
13 ers for projects for the construction or recon-  
14 struction of public school facilities receiving  
15 funding assistance under an applicable pro-  
16 gram.

17           “(C) The program ensures that skilled  
18 workers (residing in the area to be served by  
19 the school facilities) will be available for the  
20 construction or reconstruction work.

21           “(2) COORDINATION.—The specialized program  
22 established under paragraph (1) shall be integrated  
23 with other activities under this Act, with the activi-  
24 ties carried out under the National Apprenticeship  
25 Act of 1937 by the State Apprenticeship Council or

1 through the Bureau of Apprenticeship and Training  
2 in the Department of Labor, as appropriate, and  
3 with activities carried out under the Carl D. Perkins  
4 Vocational and Technical Education Act of 1998.  
5 Nothing in this subsection shall be construed to re-  
6 quire services duplicative of those referred to in the  
7 preceding sentence.

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

13       (b) STATE PLAN.—Section 112(b)(17)(A) of the  
14 Workforce Investment Act of 1998 (29 U.S.C.  
15 2822(b)(17)(A)) is amended—

16           (1) in clause (iii), by striking “and” at the end;  
17           (2) by redesignating clause (iv) as clause (v);  
18       and

19           (3) by inserting after clause (iii) the following:  
20                  “(iv) how the State will establish and  
21                  carry out a specialized program of training  
22                  under section 134(f); and”.

