

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.

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

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. 1400O. 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.

19 “(2) ANNUAL CREDIT.—The annual credit de-
 20 termined with respect to any qualified public school
 21 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—

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

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 quali-
 17 fied public school modernization bond and the enti-
 18 tlement 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 writ-
2 ten 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 ‘quali-
9 fied 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”.

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