

110TH CONGRESS  
1ST SESSION

# H. R. 2470

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 HOUSE OF REPRESENTATIVES

MAY 24, 2007

Mr. RANGEL (for himself, Mr. RAMSTAD, Mr. ETHERIDGE, Mr. ABERCROMBIE, Mr. ANDREWS, Mr. ARCURI, Mr. BACA, Mr. BARROW, Mr. BECERRA, Ms. BERKLEY, Mr. BERMAN, Mr. BERRY, Mr. BISHOP of Georgia, Mr. BISHOP of New York, Mr. BLUMENAUER, Mr. BOSWELL, Mr. BOUCHER, Mrs. BOYDA of Kansas, Mr. BRALEY of Iowa, Ms. CORRINE BROWN of Florida, Mr. BUTTERFIELD, Mrs. CAPITO, Mrs. CAPPES, Mr. CARDOZA, Ms. CASTOR, Mr. CHANDLER, Ms. CLARKE, Mr. CLAY, Mr. CLEAVER, Mr. CONYERS, Mr. CROWLEY, Mr. CUELLAR, Mr. CUMMINGS, Mr. DAVIS of Alabama, Mr. DAVIS of Illinois, Mr. LINCOLN DAVIS of Tennessee, Mrs. DAVIS of California, Mr. DEFAZIO, Ms. DELAURO, Mr. DICKS, Mr. DOYLE, Mr. EDWARDS, Mr. ELLISON, Mr. EMANUEL, Mr. ENGEL, Mr. ENGLISH of Pennsylvania, Ms. ESHOO, Mr. FARR, Mr. FERGUSON, Mr. FILNER, Mrs. GILLIBRAND, Mr. GONZALEZ, Mr. GORDON of Tennessee, Mr. AL GREEN of Texas, Mr. GENE GREEN of Texas, Mr. GRIJALVA, Mr. HARE, Mr. HASTINGS of Florida, Ms. HERSETH SANDLIN, Mr. HIGGINS, Mr. HINOJOSA, Ms. HIRONO, Mr. HOLDEN, Mr. HOLT, Mr. HONDA, Ms. HOOLEY, Mr. INSLEE, Mr. ISRAEL, Ms. JACKSON-LEE of Texas, Mr. JEFFERSON, Ms. EDDIE BERNICE JOHNSON of Texas, Mr. KAGEN, Mr. KILDEE, Ms. KILPATRICK, Mr. KIND, Mr. KUCINICH, Mr. LAHOOD, Mr. LAMPSON, Mr. LARSON of Connecticut, Mr. LEVIN, Mr. LEWIS of Georgia, Mr. LOBIONDO, Mr. LOEBSACK, Mrs. LOWEY, Mr. LYNCH, Mrs. MALONEY of New York, Mr. MATHESON, Ms. MATSUI, Mrs. MCCARTHY of New York, Ms. MCCOLLUM of Minnesota, Mr. MCDERMOTT, Mr. MCGOVERN, Mr. MCHUGH, Mr. MCINTYRE, Mr. McNULTY, Mr. MEEHAN, Mr. MEEK of Florida, Mr. MICHAUD, Mr. MILLER of North Carolina, Mr. GEORGE MILLER of California, Mr. MOORE of Kansas, Mr. MORAN of Virginia, Mr. NADLER, Mrs. NAPOLITANO, Mr. NEAL of Massachusetts, Ms. NORTON, Mr. OLVER, Mr. ORTIZ, Mr. PALLONE, Mr. PASCRELL, Mr. PASTOR, Mr. PAYNE, Mr. PERLMUTTER, Mr. POMEROY, Mr. PRICE of North Carolina, Mr. RAHALL, Mr. REYES, Mr. RODRIGUEZ, Mr. ROSS, Mr. ROTHMAN, Mr. RUPPERSBERGER, Mr. RUSH, Mr. SALAZAR, Ms. LINDA T. SÁNCHEZ of California, Ms. LORETTA SANCHEZ of California, Mr. SAXTON, Ms.

SCHAKOWSKY, Ms. SCHWARTZ, Mr. SCOTT of Virginia, Mr. SCOTT of Georgia, Ms. SHEA-PORTER, Mr. SHERMAN, Mr. SHULER, Mr. SIMPSON, Ms. SLAUGHTER, Mr. SMITH of Washington, Mr. SPRATT, Mr. STARK, Ms. SUTTON, Mrs. TAUSCHER, Mr. TERRY, Mr. THOMPSON of Mississippi, Mr. THOMPSON of California, Mr. TIERNEY, Mrs. JONES of Ohio, Mr. UDALL of New Mexico, Mr. VAN HOLLEN, Ms. WASSERMAN SCHULTZ, Ms. WATSON, Mr. WATT, Mr. WAXMAN, Mr. WELLER of Illinois, Mr. WEXLER, Ms. WOOLSEY, Mr. WU, 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 Labor, 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

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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       Classrooms Act of 2007”.

6       **SEC. 2. EXPANSION OF INCENTIVES FOR PUBLIC SCHOOLS.**

7       (a) IN GENERAL.—Part IV of subchapter A of chap-  
 8       ter 1 of the Internal Revenue Code of 1986 (relating to  
 9       credits against tax) is amended by adding at the end the  
 10      following new subpart:

11      **“Subpart I—Public School Modernization Bonds**

    “Sec. 54A. Credit to holders of qualified public school modernization bonds.

    “Sec. 54B. Qualified school construction bonds.

    “Sec. 54C. Qualified zone academy bonds.

1 **“SEC. 54A. CREDIT TO HOLDERS OF QUALIFIED PUBLIC**  
2 **SCHOOL MODERNIZATION BONDS.**

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

10 “(b) AMOUNT OF CREDIT.—

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

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

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

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

23 “(3) APPLICABLE CREDIT RATE.—For purposes  
24 of paragraph (2), the applicable credit rate is the  
25 rate which the Secretary or the Secretary’s designee  
26 estimates will permit the issuance of qualified public

1 school modernization bonds with a specified maturity  
2 or redemption date without discount and without in-  
3 terest cost to the qualified issuer. The applicable  
4 credit rate with respect to any qualified public school  
5 modernization bond shall be determined as of the  
6 first day on which there is a binding, written con-  
7 tract for the sale or exchange of the bond.

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

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

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

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

1           “(B) the sum of the credits allowable  
2           under this part (other than subpart C and this  
3           subpart).

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

10          “(d) QUALIFIED PUBLIC SCHOOL MODERNIZATION  
11 BOND.—For purposes of this section—

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

15                   “(A) a qualified school construction bond,  
16                   and

17                   “(B) a qualified zone academy bond,  
18           which is part of an issue that meets requirements of  
19           paragraphs (2), (3), (4), and (5).

20           “(2) SPECIAL RULES RELATING TO EXPENDI-  
21           TURES.—

22                   “(A) IN GENERAL.—An issue shall be  
23                   treated as meeting the requirements of this  
24                   paragraph if, as of the date of issuance, the  
25                   issuer reasonably expects—

1           “(i) at least 95 percent of the gross  
2           proceeds are to be spent for 1 or more  
3           qualified purposes within the 3-year period  
4           beginning on such date of issuance,

5           “(ii) a binding commitment with a  
6           third party to spend at least 10 percent of  
7           such gross proceeds will be incurred within  
8           the 6-month period beginning on such date  
9           of issuance, and

10           “(iii) such purposes will be completed  
11           with due diligence and such gross proceeds  
12           from the sale of the issue will be spent  
13           with due diligence.

14           “(B) EXTENSION OF PERIOD.—Upon sub-  
15           mission of a request prior to the expiration of  
16           the period described in subparagraph (A)(i), the  
17           Secretary may extend such period if the issuer  
18           establishes that the failure to satisfy the 3-year  
19           requirement is due to reasonable cause and the  
20           related purposes will continue to proceed with  
21           due diligence.

22           “(C) FAILURE TO SPEND REQUIRED  
23           AMOUNT OF BOND PROCEEDS WITHIN 3  
24           YEARS.—To the extent that less than 95 per-  
25           cent of the gross proceeds of the issue are ex-

1           pended by the close of the 3-year period begin-  
2           ning on the date of issuance (or if an extension  
3           has been obtained under subparagraph (B), by  
4           the close of the extended period), the issuer  
5           shall redeem all of the nonqualified bonds with-  
6           in 90 days after the end of such period. For  
7           purposes of this paragraph, the amount of the  
8           nonqualified bonds required to be redeemed  
9           shall be determined in the same manner as  
10          under section 142.

11           “(D) QUALIFIED PURPOSE.—For purposes  
12          of this paragraph, the term ‘qualified purpose’  
13          means—

14                   “(i) in the case of a qualified school  
15                   construction bond, a purpose specified in  
16                   section 54B(a)(1), and

17                   “(ii) in the case of a qualified zone  
18                   academy bond, a purpose specified in sec-  
19                   tion 54C(a)(4).

20           “(3) REPORTING.—An issue shall be treated as  
21          meeting the requirements of this paragraph if the  
22          issuer of qualified public school modernization bonds  
23          submits reports similar to the reports required under  
24          section 149(e).

1           “(4) SPECIAL RULES RELATING TO ARBI-  
2 TRAGE.—An issue shall be treated as meeting the  
3 requirements of this paragraph if the issue meets  
4 the requirements of section 148, except that such re-  
5 quirements shall not apply if the issuer elects—

6           “(A) to treat any earnings on proceeds in-  
7 vested before use for a qualified purpose as part  
8 of gross proceeds for purposes of paragraph  
9 (2), and

10           “(B) to apply paragraph (2)(C) by sub-  
11 stituting ‘100 percent’ for ‘95 percent’.

12           “(5) MATURITY LIMITATION.—An issue shall  
13 not be treated as meeting the requirements of this  
14 paragraph if the maturity of any bond which is part  
15 of such issue exceeds the maximum term determined  
16 by the Secretary under rules similar to the rules of  
17 section 54(e)(2).

18           “(e) OTHER DEFINITIONS.—For purposes of this  
19 subchapter—

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

22           “(A) March 15,

23           “(B) June 15,

24           “(C) September 15, and

25           “(D) December 15.

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

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

10              “(3) BOND.—The term ‘bond’ includes any ob-  
11       ligation.

12              “(4) STATE.—The term ‘State’ includes the  
13       District of Columbia and any possession of the  
14       United States.

15              “(5) PUBLIC SCHOOL FACILITY.—The term  
16       ‘public school facility’ shall not include—

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

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

1           “(6) GROSS PROCEEDS.—The term ‘gross pro-  
2           ceeds’ means proceeds from the sale of an issue re-  
3           duced by reasonable issuance costs.

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

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

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

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

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

13 **“SEC. 54B. QUALIFIED SCHOOL CONSTRUCTION BONDS.**

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

18           “(1) 95 percent or more of the gross proceeds  
19 of such issue are to be used for the construction, re-  
20 habilitation, or repair of a public school facility or  
21 for the acquisition of land on which such a facility  
22 is to be constructed with part of the proceeds of  
23 such issue,

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

4           “(3) the issuer designates such bond for pur-  
5           poses of this section.

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

11           “(1) the limitation amount allocated under sub-  
12           section (d) for such calendar year to such issuer,  
13           and

14           “(2) if such issuer is a large local educational  
15           agency (as defined in subsection (e)(4)) or is issuing  
16           on behalf of such an agency, the limitation amount  
17           allocated under subsection (e) for such calendar year  
18           to such agency.

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 2008

24           “(2) \$11,000,000,000 for 2009, and

1           “(3) except as provided in subsection (f), zero  
2           after 2009.

3           “(d) 60 PERCENT OF LIMITATION ALLOCATED  
4           AMONG STATES.—

5           “(1) IN GENERAL.—60 percent of the limitation  
6           applicable under subsection (c) for any calendar year  
7           shall be allocated by the Secretary among the States  
8           in proportion to the respective numbers of children  
9           in each State who have attained age 5 but not age  
10          18 for the most recent fiscal year ending before such  
11          calendar year. The limitation amount allocated to a  
12          State under the preceding sentence shall be allocated  
13          by the State to issuers within such State.

14          “(2) MINIMUM ALLOCATIONS TO STATES.—

15                 “(A) IN GENERAL.—The Secretary shall  
16                 adjust the allocations under this subsection for  
17                 any calendar year for each State to the extent  
18                 necessary to ensure that the sum of—

19                         “(i) the amount allocated to such  
20                         State under this subsection for such year,  
21                         and

22                         “(ii) the aggregate amounts allocated  
23                         under subsection (e) to large local edu-  
24                         cational agencies in such State for such  
25                         year,

1 is not less than an amount equal to such  
2 State's minimum percentage of the amount to  
3 be allocated under paragraph (1) for the cal-  
4 endar year.

5 “(B) MINIMUM PERCENTAGE.—A State's  
6 minimum percentage for any calendar year is  
7 the minimum percentage described in section  
8 1124(d) of the Elementary and Secondary Edu-  
9 cation Act of 1965 (20 U.S.C. 6334(d)) for  
10 such State for the most recent fiscal year end-  
11 ing before such calendar year.

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

24 “(4) ALLOCATIONS FOR INDIAN SCHOOLS.—In  
25 addition to the amounts otherwise allocated under

1 this subsection, \$200,000,000 for calendar year  
2 2008, and \$200,000,000 for calendar year 2009,  
3 shall be allocated by the Secretary of the Interior for  
4 purposes of the construction, rehabilitation, and re-  
5 pair of schools funded by the Bureau of Indian Af-  
6 fairs. In the case of amounts allocated under the  
7 preceding sentence, Indian tribal governments (as  
8 defined in section 7871) shall be treated as qualified  
9 issuers for purposes of this subchapter.

10 “(e) 40 PERCENT OF LIMITATION ALLOCATED  
11 AMONG LARGEST SCHOOL DISTRICTS.—

12 “(1) IN GENERAL.—40 percent of the limitation  
13 applicable under subsection (c) for any calendar year  
14 shall be allocated under paragraph (2) by the Sec-  
15 retary among local educational agencies which are  
16 large local educational agencies for such year.

17 “(2) ALLOCATION FORMULA.—The amount to  
18 be allocated under paragraph (1) for any calendar  
19 year shall be allocated among large local educational  
20 agencies in proportion to the respective amounts  
21 each such agency received for Basic Grants under  
22 subpart 2 of part A of title I of the Elementary and  
23 Secondary Education Act of 1965 (20 U.S.C. 6331  
24 et seq.) for the most recent fiscal year ending before  
25 such calendar year.

1           “(3) ALLOCATION OF UNUSED LIMITATION TO  
2 STATE.—The amount allocated under this subsection  
3 to a large local educational agency for any calendar  
4 year may be reallocated by such agency to the State  
5 in which such agency is located for such calendar  
6 year. Any amount reallocated to a State under the  
7 preceding sentence may be allocated as provided in  
8 subsection (d)(1).

9           “(4) LARGE LOCAL EDUCATIONAL AGENCY.—  
10 For purposes of this section, the term ‘large local  
11 educational agency’ means, with respect to a cal-  
12 endar year, any local educational agency if such  
13 agency is—

14           “(A) among the 100 local educational  
15 agencies with the largest numbers of children  
16 aged 5 through 17 from families living below  
17 the poverty level, as determined by the Sec-  
18 retary using the most recent data available  
19 from the Department of Commerce that are  
20 satisfactory to the Secretary, or

21           “(B) 1 of not more than 25 local edu-  
22 cational agencies (other than those described in  
23 subparagraph (A)) that the Secretary of Edu-  
24 cation determines (based on the most recent  
25 data available satisfactory to the Secretary) are

1 in particular need of assistance, based on a low  
2 level of resources for school construction, a high  
3 level of enrollment growth, or such other factors  
4 as the Secretary deems appropriate.

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

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

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

12 the limitation amount under such subsection for such  
13 State for the following calendar year shall be increased  
14 by the amount of such excess. A similar rule shall apply  
15 to the amounts allocated under subsection (d)(4) or (e).

16 **“SEC. 54C. QUALIFIED ZONE ACADEMY BONDS.**

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

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

22 “(A) 95 percent or more of the gross pro-  
23 ceeds of such issue are to be used for a quali-  
24 fied purpose with respect to a qualified zone

1 academy established by a local educational  
2 agency,

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

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.

16 “(2) PRIVATE BUSINESS CONTRIBUTION RE-  
17 QUIREMENT.—

18 “(A) IN GENERAL.—For purposes of para-  
19 graph (1), the private business contribution re-  
20 quirement of this paragraph is met with respect  
21 to any issue if the local educational agency that  
22 established the qualified zone academy has writ-  
23 ten commitments from private entities to make  
24 qualified contributions having a present value  
25 (as of the date of issuance of the issue) of not

1 less than 10 percent of the gross proceeds of  
2 the issue.

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

8 “(i) equipment for use in the qualified  
9 zone academy (including state-of-the-art  
10 technology and vocational equipment),

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

15 “(iii) services of employees as volun-  
16 teer mentors,

17 “(iv) internships, field trips, or other  
18 educational opportunities outside the acad-  
19 emy for students, or

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

22 “(3) QUALIFIED ZONE ACADEMY.—The term  
23 ‘qualified zone academy’ means any public school (or  
24 academic program within a public school) which is  
25 established by and operated under the supervision of

1 a local educational agency to provide education or  
2 training below the postsecondary level if—

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

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

14 “(C) the comprehensive education plan of  
15 such public school or program is approved by  
16 the local educational agency, and

17 “(D)(i) such public school is located in an  
18 empowerment zone or enterprise community  
19 (including any such zone or community des-  
20 ignated after the date of the enactment of this  
21 section), or

22 “(ii) there is a reasonable expectation (as  
23 of the date of issuance of the bonds) that at  
24 least 35 percent of the students attending such  
25 school or participating in such program (as the

1 case may be) will be eligible for free or reduced-  
2 cost lunches under the school lunch program es-  
3 tablished under the National School Lunch Act.

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

7 “(A) constructing, rehabilitating, or repair-  
8 ing the public school facility in which the acad-  
9 emy is established,

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

13 “(C) providing equipment for use at such  
14 academy,

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

17 “(E) training teachers and other school  
18 personnel in such academy.

19 “(b) LIMITATIONS ON AMOUNT OF BONDS DES-  
20 IGNATED.—

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

24 “(A) \$1,400,000,000, for 2008,

25 “(B) \$1,400,000,000 for 2009, and

1           “(C) except as provided in paragraph (3),  
2 zero after 2009.

3           “(2) ALLOCATION OF LIMITATION.—

4           “(A) ALLOCATION AMONG STATES.—The  
5 national zone academy bond limitation for any  
6 calendar year shall be allocated by the Sec-  
7 retary among the States in proportion to the re-  
8 spective amounts each such State received for  
9 Basic Grants under subpart 2 of part A of title  
10 I of the Elementary and Secondary Education  
11 Act of 1965 (20 U.S.C. 6331 et seq.) for the  
12 most recent fiscal year ending before such cal-  
13 endar year.

14           “(B) ALLOCATION TO LOCAL EDU-  
15 CATIONAL AGENCIES.—The limitation amount  
16 allocated to a State under subparagraph (A)  
17 shall be allocated by the State to qualified zone  
18 academies within such State.

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

1 to such academy under subparagraph (B) for  
2 such calendar year.

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

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

7 “(B) the amount of bonds issued during  
8 such year which are designated under sub-  
9 section (a) (or the corresponding provisions of  
10 prior law) with respect to qualified zone acad-  
11 emies within such State,

12 the limitation amount under this subsection for such  
13 State for the following calendar year shall be in-  
14 creased by the amount of such excess.”.

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

19 “(8) REPORTING OF CREDIT ON QUALIFIED  
20 PUBLIC SCHOOL MODERNIZATION BONDS.—

21 “(A) IN GENERAL.—For purposes of sub-  
22 section (a), the term ‘interest’ includes amounts  
23 includible in gross income under section 54A  
24 and such amounts shall be treated as paid on

1 the credit allowance date (as defined in section  
2 54A(e)(1)).

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

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

16 (c) MODIFICATION OF SECTION 1397E.—

17 (1) REPEAL OF RESTRICTION ON ZONE ACAD-  
18 EMY BOND HOLDERS.—

19 (A) Section 1397E(a) is amended by strik-  
20 ing “eligible taxpayer” and inserting “tax-  
21 payer”.

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

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

1           (2) CARRYOVER OF UNUSED LIMITATION TO  
2 SECTION 54C.—

3           (A) Section 1397E(e) of such Code is  
4 amended by adding at the end the following  
5 new paragraph:

6           “(5) CARRYOVER OF UNUSED LIMITATION TO  
7 SECTION 54C AFTER 2007.—If for calendar year  
8 2007—

9           “(A) the limitation amount for any State,  
10 exceeds

11           “(B) the amount of bonds issued during  
12 such year which are designated under sub-  
13 section (d)(1) with respect to qualified zone  
14 academies within such State,

15 the limitation amount for such State under section  
16 54C for calendar year 2008 shall be increased by the  
17 amount of such excess and such excess shall not oth-  
18 erwise be taken into account under this section.”.

19           (B) The heading of section 1397E(e)(4) of  
20 such Code is amended by inserting before the  
21 period “FROM YEARS BEFORE 2008”.

22           (d) CLERICAL AMENDMENT.—The table of subparts  
23 for part IV of subchapter A of chapter 1 of such Code  
24 is amended by adding at the end the following new item:

“SUBPART I. PUBLIC SCHOOL MODERNIZATION BONDS.”.

25           (e) EFFECTIVE DATES.—

1           (1) IN GENERAL.—Except as otherwise pro-  
 2           vided in this subsection, the amendments made by  
 3           this section shall apply to obligations issued after  
 4           December 31, 2007.

5           (2) REPEAL OF RESTRICTION ON ZONE ACAD-  
 6           EMY BOND HOLDERS.—The amendments made by  
 7           subsection (c)(1) shall apply to qualified zone acad-  
 8           emy bonds held on credit allowance dates after De-  
 9           cember 31, 2007, during taxable years ending after  
 10          such date.

11          (3) CARRYOVER OF LIMITATION.—The amend-  
 12          ments made by subsection (c)(2) shall take effect on  
 13          the date 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 America’s Better Classrooms Act of 2007.

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 provides trained work-  
19 ers for projects for the construction or recon-  
20 struction of public school facilities receiving  
21 funding assistance under an applicable pro-  
22 gram.

23 “(C) The program ensures that skilled  
24 workers (residing in the area to be served by  
25 the school facilities) will be available for the  
26 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”.

○