

105TH CONGRESS
1ST SESSION

H. R. 2695

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

IN THE HOUSE OF REPRESENTATIVES

OCTOBER 22, 1997

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

A BILL

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

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

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “Expand and Rebuild
5 America’s Schools Act of 1997”.

6 **SEC. 2. FINDINGS.**

7 The Congress finds the following:

8 (1) Many States and school districts will need
9 to build new schools in order to accommodate in-
10 creasing student enrollments; the Department of

1 Education has predicted that the Nation will need
2 6,000 more schools by the year 2006.

3 (2) In response to reduced class mandates en-
4 forced by State governments and increased enroll-
5 ment, many school districts have been forced to uti-
6 lize temporary classrooms and other structures to
7 accommodate increased school populations, along
8 with resorting to year-round schedules for students.

9 (3) Research has proven a direct correlation be-
10 tween the condition of school facilities and student
11 achievement. Recently, researchers found that stu-
12 dents assigned to schools in poor condition can be
13 expected to fall 10.9 percentage points behind those
14 in buildings in excellent condition. Similar studies
15 have demonstrated up to a 20 percent improvement
16 in test scores when students were moved from a
17 school with poor facilities to a new facility.

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

24 (5) Many local educational agencies have dif-
25 ficulties securing financing for school facility con-

1 construction and renovation, especially in States that
2 require a $\frac{2}{3}$ majority of voter approval for the pas-
3 sage of local bond initiatives.

4 (6) The Federal Government, by providing in-
5 terest subsidies and similar types of support, can
6 lower the costs of State and local school infrastruc-
7 ture investment, creating an incentive for businesses
8 to support local school infrastructure improvement
9 efforts.

10 (7) The United States competitive position
11 within the world economy is vulnerable if America's
12 future workforce continues to be educated in schools
13 not equipped for the 21st century. America must do
14 everything in its power to properly educate its people
15 to compete in the global marketplace.

16 **SEC. 3. PURPOSES.**

17 The purposes of this Act are—

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

21 (2) to help local educational agencies bring all
22 public school facilities up to an acceptable standard
23 and build the additional classrooms needed to edu-
24 cate the growing number of students who will enroll
25 in the next decade.

1 **SEC. 4. CREDIT TO HOLDERS OF SCHOOL CONSTRUCTION**
2 **BONDS.**

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

7 **“SEC. 45D. CREDIT TO HOLDERS OF SCHOOL CONSTRUC-**
8 **TION BONDS.**

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

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

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

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

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

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

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

8 “(d) SCHOOL CONSTRUCTION BOND.—For purposes
9 of this section—

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

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

17 “(B) the bond is issued by a State or local
18 government within the jurisdiction of which
19 such school is located,

20 “(C) the issuer—

21 “(i) designates such bond for purposes
22 of this section,

23 “(ii) certifies that it has written as-
24 surances that the private business con-

1 tribution requirement of paragraph (2) will
2 be met with respect to such school, and

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

6 “(D) the term of each bond which is part
7 of such issue does not exceed the maximum
8 term permitted under section 1397E(d)(3).

9 “(2) PRIVATE BUSINESS CONTRIBUTION RE-
10 QUIREMENT.—

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

21 “(B) QUALIFIED CONTRIBUTIONS.—For
22 purposes of subparagraph (A), the term ‘quali-
23 fied contribution’ means any contribution (of a
24 type and quality acceptable to the eligible local
25 education agency) of—

1 “(i) equipment for use in the qualified
2 school (including state-of-the-art tech-
3 nology and vocational equipment),

4 “(ii) technical assistance in developing
5 curriculum or in training teachers in order
6 to promote appropriate market driven tech-
7 nology in the classroom,

8 “(iii) services of employees as volun-
9 teer mentors,

10 “(iv) internships, field trips, or other
11 educational opportunities outside the
12 school for students, or

13 “(v) any other property or service
14 specified by the eligible local education
15 agency.

16 “(3) QUALIFIED SCHOOL.—

17 “(A) IN GENERAL.—The term ‘qualified
18 school’ means any public school which is estab-
19 lished by and operated under the supervision of
20 an eligible local education agency to provide
21 education or training below the postsecondary
22 level if—

23 “(i) such public school is designed in
24 cooperation with business to enhance the
25 academic curriculum, increase graduation

1 and employment rates, and better prepare
2 students for the rigors of college and the
3 increasingly complex workforce,

4 “(ii) students in such public school
5 will be subject to the same academic stand-
6 ards and assessments as other students
7 educated by the local education agency,

8 “(iii) a well-structured program to al-
9 leviate overcrowding and to improve stu-
10 dents’ education has been constructed and
11 implemented in the opinion of the Sec-
12 retary of Education, and

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

15 “(I) There is a reasonable expect-
16 tation (as of the date of issuance of
17 the bonds) that at least 35 percent of
18 the population attending the such
19 public school will be eligible for free or
20 reduced-cost lunches under the school
21 lunch program established under the
22 National School Lunch Act.

23 “(II) There is a reasonable ex-
24 pectation (as of the date of issuance
25 of the bonds) that the student growth

1 rate over the next 5 years for the
2 school district in which such public
3 school is to be located will be at least
4 10 percent.

5 “(III) The average student-teach-
6 er ratio for such district as of the
7 date of issuance of the bonds is at
8 least 28 to 1.

9 “(B) ELIGIBLE LOCAL EDUCATION AGEN-
10 CY.—The term ‘eligible local education agency’
11 means any local educational agency as defined
12 in section 14101 of the Elementary and Sec-
13 ondary Education Act of 1965.

14 “(4) QUALIFIED PURPOSE.—

15 “(A) IN GENERAL.—The term ‘qualified
16 purpose’ means, with respect to any qualified
17 school—

18 “(i) constructing a new school facility,

19 and

20 “(ii) providing equipment for use at
21 such facility.

22 “(B) SCHOOL FACILITY.—The term ‘school
23 facility’ means a new public structure suitable
24 for use as a classroom, laboratory, library,
25 media center, or related facility whose primary

1 purpose is the instruction of public elementary
2 or secondary students. Such term does not in-
3 clude an athletic stadium, or any other struc-
4 ture or facility intended primarily for athletic
5 exhibitions, contests, games, or events for which
6 admission is charged to the general public.

7 “(5) ELIGIBLE TAXPAYER.—The term ‘eligible
8 taxpayer’ means—

9 “(A) a bank (within the meaning of section
10 581),

11 “(B) an insurance company to which sub-
12 chapter L applies, and

13 “(C) a corporation actively engaged in the
14 business of lending money.

15 “(e) LIMITATION ON AMOUNT OF BONDS DES-
16 IGNATED.—

17 “(1) NATIONAL LIMITATION.—There is a na-
18 tional school construction bond limitation for each
19 calendar year. Such limitation is \$400,000,000 for
20 1998 and 1999, and, except for carryovers as pro-
21 vided under the rules applicable under paragraph
22 (2), zero thereafter.

23 “(2) ALLOCATION OF LIMITATION.—The na-
24 tional school construction bond limitation for a cal-
25 endar year shall be allocated by the Secretary among

1 the States on the basis of their respective popu-
2 lations of individuals below the poverty line (as de-
3 fined by the Office of Management and Budget).
4 The limitation amount allocated to a State under the
5 preceding sentence shall be allocated by the Sec-
6 retary of Education to qualified schools within such
7 State.

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

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

17 “(A) the limitation amount for any State,
18 exceeds

19 “(B) the amount of bonds issued during
20 such year which are designated under sub-
21 section (d)(1) with respect to qualified schools
22 within such State,

23 the limitation amount for such State for the follow-
24 ing calendar year shall be increased by the amount
25 of such excess.

1 “(f) OTHER DEFINITIONS.—The definitions in sub-
2 sections (d)(6) and (f) of section 1397E shall apply for
3 purposes of this section.

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

7 (b) CONFORMING AMENDMENT.—The table of sec-
8 tions for subpart D of part IV of subchapter A of chapter
9 1 of such Code is amended by adding at the end the follow-
10 ing new item:

“Sec. 45D. Credit to holders of school construction bonds.”

11 (c) EFFECTIVE DATE.—The amendments made by
12 this section shall apply to obligations issued after Decem-
13 ber 31, 1997.

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