



Introductory Statement
The Honorable Charles B. Rangel

Mr. Speaker, today I am introducing legislation that would provide \$25.2 billion in interest-free funds over the next two years for public school construction and modernization projects.

Currently, our public school system has extraordinary unmet needs for funds to construct and modernize schools. Consider the following facts:

- The average age of a public school in the United States is 42 years.
- One-third of all public schools in the United States are in need of extensive repair or replacement.
- Three and a half million students attend schools that need major repair or replacement.
- According to a recent report from the National Education Association, it will cost \$332 billion to bring the existing public schools into overall good condition. Billions more will be required to construct new schools to meet expanding student enrollments.

President Bush's education program places strong emphasis on raising standards in America's classrooms, but does not provide promised Federal help for the cost of additional testing and services required to reach that goal. His program also ignores the fact that school facilities are an important part of raising student performance. Inferior facilities make teaching more difficult. They also send a clear message to the students that this nation does not value their education. The President's program seems to be designed to fail.

My legislation will provide funds for school modernization projects through a federal tax credit. The tax credit will, in effect, pay the interest on \$25.2 billion of school modernization bonds. All decisions relating to how those funds would be used would continue to be made at the local level.

My legislation is based on a successful model, the Qualified Academy Bond (QZAB) program enacted in 1997. A California local school official described that program as a “local school district’s dream” after having successfully participated in a bond offering subsidized under that program. U.S. Education Secretary Rodney Page endorsed a similar proposal in 1999 when he was Superintendent of the Houston schools. In a statement submitted to the Committee on Ways and Means, he said that school modernization bonds “represent the approach to Federal aid that will have a truly consequential impact on meeting the infrastructure needs of Houston and other large urban high poverty districts.”

Mr. Speaker, I regret that I am introducing this bill today without the broad bipartisan support that it has received in the past. The lack of bipartisan support is due to the fact that the bill is fundamentally inconsistent with the President’s dividend exemption proposal. I am hopeful that the Congress will reject or substantially modify the President’s dividend proposal and, therefore, make it possible to pursue this bill with its former bipartisan support.

Attached is a brief description of the bill and a table showing how the funds will be allocated among the States.

Summary

The bill would subsidize \$25.2 billion in zero-interest school modernization bonds. The federal government would provide tax credits for the interest normally paid on a bond. Funds that would have gone to pay bond interest would be freed for other education needs. For each \$1000 of school bonds, the net benefit of the program to State or local school districts would be approximately \$500.

Funding: The bill divides the interest-free funds for public school construction and modernization as follows:

- \$22 billion over two years for zero-interest school modernization bonds (\$11 billion in both 2004 and 2005). The bill would allocate 60 percent of the \$22 billion in bonds to states based on school-age population. The State education agency has the authority to allocate the State's share among the schools districts in the State with no restrictions as to what schools can qualify. The remaining 40 percent of these bonds would be directly allocated to the 125 school districts with the largest number of low-income students based on ESEA Title I funding (poverty-based distribution).
- \$400 million in school modernization bonds for Bureau of Indian Affairs (BIA) schools.
- \$2.8 billion for expansion of the existing Qualified Zone Academy Bond program (QZAB). This amount is allocated among the States based upon the number or poor students. The State education agency has the authority to allocate the State's share among the school districts in the State; except that amount may be allocated only to schools with at least 35% poor students – those schools located in Empowerment Zones, Enterprise Communities or which have at least 35 percent of their students eligible for free or reduced price school lunch.

Federal Role: The federal government would provide a tax credit to the bond purchaser equal to the interest that would otherwise be paid on a school construction bond. No new federal bureaucracy would be created.

Cost: The five-year cost to the Federal government is approximately \$1.7 billion and the ten-year cost is approximately \$6.8 billion.

The following table shows the estimated allocations under the bill.

Estimated State Bond Allocations

ALABAMA	\$354,922
ALASKA	53,398
ARIZONA	337,448
ARKANSAS	183,516
CALIFORNIA	3,109,598
COLORADO	296,358
CONNECTICUT	292,085
DELAWARE	49,070
DISTRICT OF COLUMBIA	88,904
FLORIDA	1,188,467
GEORGIA	654,051
HAWAII	77,438
IDAHO	93,409
ILLINOIS	1,221,868
INDIANA	459,436
IOWA	196,453
KANSAS	196,866
KENTUCKY	295,249
LOUISIANA	473,051
MAINE	84,355
MARYLAND	395,270
MASSACHUSETTS	467,254
MICHIGAN	1,006,867
MINNESOTA	378,952
MISSISSIPPI	237,537
MISSOURI	452,673
MONTANA	65,077

NEBRASKA	131,275
NEVADA	92,951
NEW HAMPSHIRE	80,802
NEW JERSEY	660,175
NEW MEXICO	157,627
NEW YORK	2,476,435
NORTH CAROLINA	488,119
NORTH DAKOTA	46,596
OHIO	1,019,626
OKLAHOMA	277,839
OREGON	235,626
PENNSYLVANIA	1,044,126
PUERTO RICO	378,751
RHODE ISLAND	90,648
SOUTH CAROLINA	284,932
SOUTH DAKOTA	56,180
TENNESSEE	421,577
TEXAS	1,998,390
UTAH	175,947
VERMONT	42,022
VIRGINIA	422,902
WASHINGTON	402,308
WEST VIRGINIA	123,951
WISCONSIN	491,648
WYOMING	38,712
OUTLYING AREAS	51,263
BIA SCHOOLS	400,000
TOTAL	25,200,000