

107TH CONGRESS
1ST SESSION

H. R. 2152

To provide for the issuance of bonds to construct and modernize Indian schools and to provide a credit against Federal income tax for holders of such bonds.

IN THE HOUSE OF REPRESENTATIVES

JUNE 13, 2001

Mr. CARSON of Oklahoma introduced the following bill; which was referred to the Committee on Ways and Means, and in addition to the Committees on Education and the Workforce and Resources, 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

A BILL

To provide for the issuance of bonds to construct and modernize Indian schools and to provide a credit against Federal income tax for holders of such bonds.

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 “Indian School Con-
5 struction Act of 2001”.

6 **SEC. 2. INDIAN SCHOOL CONSTRUCTION.**

7 (a) DEFINITIONS.—In this section:

1 (1) BUREAU.—The term “Bureau” means the
2 Bureau of Indian Affairs of the Department of the
3 Interior.

4 (2) INDIAN.—The term “Indian” means any in-
5 dividual who is a member of a tribe.

6 (3) SECRETARY.—The term “Secretary” means
7 the Secretary of the Interior.

8 (4) TRIBAL SCHOOL.—The term “tribal school”
9 means an elementary school, secondary school, or
10 dormitory that is operated by a tribal organization
11 or the Bureau for the education of Indian children
12 and that receives financial assistance for its oper-
13 ation under an appropriation for the Bureau under
14 section 102, 103(a), or 208 of the Indian Self-Deter-
15 mination and Education Assistance Act (25 U.S.C.
16 450f, 450h(a), and 458d) or under the Tribally Con-
17 trolled Schools Act of 1988 (25 U.S.C. 2501 et seq.)
18 under a contract, a grant, or an agreement, or for
19 a Bureau-operated school.

20 (5) TRIBE.—The term “tribe” has the meaning
21 given the term “Indian tribal government” by sec-
22 tion 7701(a)(40) of the Internal Revenue Code of
23 1986, including the application of section 7871(d) of
24 such Code. Such term includes any consortium of
25 tribes approved by the Secretary.

1 (b) ISSUANCE OF BONDS.—

2 (1) IN GENERAL.—The Secretary shall establish
3 a pilot program under which eligible tribes have the
4 authority to issue qualified tribal school moderniza-
5 tion bonds to provide funding for the construction,
6 rehabilitation, or repair of tribal schools, including
7 the advance planning and design thereof.

8 (2) ELIGIBILITY.—

9 (A) IN GENERAL.—To be eligible to issue
10 any qualified tribal school modernization bond
11 under the program under paragraph (1), a tribe
12 shall—

13 (i) prepare and submit to the Sec-
14 retary a plan of construction that meets
15 the requirements of subparagraph (B);

16 (ii) provide for quarterly and final in-
17 spection of the project by the Bureau; and

18 (iii) pledge that the facilities financed
19 by such bond will be used primarily for ele-
20 mentary and secondary educational pur-
21 poses for not less than the period such
22 bond remains outstanding.

23 (B) PLAN OF CONSTRUCTION.—A plan of
24 construction meets the requirements of this
25 subparagraph if such plan—

1 (i) contains a description of the con-
2 struction to be undertaken with funding
3 provided under a qualified tribal school
4 modernization bond;

5 (ii) demonstrates that a comprehen-
6 sive survey has been undertaken con-
7 cerning the construction needs of the tribal
8 school involved;

9 (iii) contains assurances that funding
10 under the bond will be used only for the
11 activities described in the plan;

12 (iv) contains response to the evalua-
13 tion criteria contained in Instructions and
14 Application for Replacement School Con-
15 struction, Revision 6, dated February 6,
16 1999; and

17 (v) contains any other reasonable and
18 related information determined appropriate
19 by the Secretary.

20 (C) PRIORITY.—In determining whether a
21 tribe is eligible to participate in the program
22 under this subsection, the Secretary shall give
23 priority to tribes that, as demonstrated by the
24 relevant plans of construction, will fund
25 projects—

1 (i) described in the Education Facili-
2 ties Replacement Construction Priorities
3 List as of FY 2000 of the Bureau of In-
4 dian Affairs (65 Fed. Reg. 4623–4624);

5 (ii) described in any subsequent prior-
6 ities list published in the Federal Register;

7 or

8 (iii) which meet the criteria for rank-
9 ing schools as described in Instructions
10 and Application for Replacement School
11 Construction, Revision 6, dated February
12 6, 1999.

13 (D) ADVANCE PLANNING AND DESIGN
14 FUNDING.—A tribe may propose in its plan of
15 construction to receive advance planning and
16 design funding from the tribal school mod-
17 ernization escrow account established under
18 paragraph (6)(B). Before advance planning and
19 design funds are allocated from the escrow ac-
20 count, the tribe shall agree to issue qualified
21 tribal school modernization bonds after the re-
22 ceipt of such funds and agree as a condition of
23 each bond issuance that the tribe will deposit
24 into such account or a fund managed by the
25 trustee as described in paragraph (4)(C) an

1 amount equal to the amount of such funds re-
2 ceived from the escrow account.

3 (3) PERMISSIBLE ACTIVITIES.—In addition to
4 the use of funds permitted under paragraph (1), a
5 tribe may use amounts received through the issuance
6 of a qualified tribal school modernization bond to—

7 (A) enter into and make payments under
8 contracts with licensed and bonded architects,
9 engineers, and construction firms in order to
10 determine the needs of the tribal school and for
11 the design and engineering of the school;

12 (B) enter into and make payments under
13 contracts with financial advisors, underwriters,
14 attorneys, trustees, and other professionals who
15 would be able to provide assistance to the tribe
16 in issuing bonds; and

17 (C) carry out other activities determined
18 appropriate by the Secretary.

19 (4) BOND TRUSTEE.—

20 (A) IN GENERAL.—Notwithstanding any
21 other provision of law, any qualified tribal
22 school modernization bond issued by a tribe
23 under this subsection shall be subject to a trust
24 agreement between the tribe and a trustee.

1 (B) TRUSTEE.—Any bank or trust com-
2 pany that meets requirements established by
3 the Secretary may be designated as a trustee
4 under subparagraph (A).

5 (C) CONTENT OF TRUST AGREEMENT.—A
6 trust agreement entered into by a tribe under
7 this paragraph shall specify that the trustee,
8 with respect to any bond issued under this sub-
9 section shall—

10 (i) act as a repository for the proceeds
11 of the bond;

12 (ii) make payments to bondholders;

13 (iii) receive, as a condition to the
14 issuance of such bond, a transfer of funds
15 from the tribal school modernization es-
16 crow account established under paragraph
17 (6)(B) or from other funds furnished by or
18 on behalf of the tribe in an amount, which
19 together with interest earnings from the
20 investment of such funds in obligations of
21 or fully guaranteed by the United States or
22 from other investments authorized by para-
23 graph (10), will produce moneys sufficient
24 to timely pay in full the entire principal

1 amount of such bond on the stated matu-
2 rity date therefor;

3 (iv) invest the funds received pursuant
4 to clause (iii) as provided by such clause;
5 and

6 (v) hold and invest the funds in a seg-
7 regated fund or account under the agree-
8 ment, which fund or account shall be ap-
9 plied solely to the payment of the costs of
10 items described in paragraph (3).

11 (D) REQUIREMENTS FOR MAKING DIRECT
12 PAYMENTS.—

13 (i) IN GENERAL.—Notwithstanding
14 any other provision of law, the trustee
15 shall make any payment referred to in sub-
16 paragraph (C)(v) in accordance with re-
17 quirements that the tribe shall prescribe in
18 the trust agreement entered into under
19 subparagraph (C). Before making a pay-
20 ment to a contractor under subparagraph
21 (C)(v), the trustee shall require an inspec-
22 tion of the project by a local financial in-
23 stitution or an independent inspecting ar-
24 chitect or engineer, to ensure the comple-
25 tion of the project.

1 (ii) CONTRACTS.—Each contract re-
2 ferred to in paragraph (3) shall specify, or
3 be renegotiated to specify, that payments
4 under the contract shall be made in ac-
5 cordance with this paragraph.

6 (5) PAYMENTS OF PRINCIPAL AND INTEREST.—

7 (A) PRINCIPAL.—No principal payments
8 on any qualified tribal school modernization
9 bond shall be required until the final, stated
10 maturity of such bond, which stated maturity
11 shall be within 15 years from the date of
12 issuance. Upon the expiration of such period,
13 the entire outstanding principal under the bond
14 shall become due and payable.

15 (B) INTEREST.—In lieu of interest on a
16 qualified tribal school modernization bond there
17 shall be awarded a tax credit under section
18 1400K of the Internal Revenue Code of 1986.

19 (6) BOND GUARANTEES.—

20 (A) IN GENERAL.—Payment of the prin-
21 cipal portion of a qualified tribal school mod-
22 ernization bond issued under this subsection
23 shall be guaranteed solely by amounts deposited
24 with each respective bond trustee as described
25 in paragraph (4)(C)(iii).

1 (B) ESTABLISHMENT OF ACCOUNT.—

2 (i) IN GENERAL.—Notwithstanding
3 any other provision of law, beginning in
4 fiscal year 2002, from amounts made
5 available for school replacement under the
6 construction account of the Bureau, the
7 Secretary is authorized to deposit not more
8 than \$30,000,000 each fiscal year into a
9 tribal school modernization escrow account.

10 (ii) PAYMENTS.—The Secretary shall
11 use any amounts deposited in the escrow
12 account under clauses (i) and (iii) to make
13 payments to trustees appointed and acting
14 pursuant to paragraph (4) or to make pay-
15 ments described in paragraph (2)(D).

16 (iii) TRANSFERS OF EXCESS PRO-
17 CEEDS.—Excess proceeds held under any
18 trust agreement that are not needed for
19 any of the purposes described in clauses
20 (iii) and (v) of paragraph (4)(C) shall be
21 transferred, from time to time, by the
22 trustee for deposit into the tribal school
23 modernization escrow account.

24 (7) LIMITATIONS.—

1 (A) OBLIGATION TO REPAY.—Notwith-
2 standing any other provision of law, the prin-
3 cipal amount on any qualified tribal school
4 modernization bond issued under this sub-
5 section shall be repaid only to the extent of any
6 escrowed funds furnished under paragraph
7 (4)(C)(iii). No qualified tribal school moderniza-
8 tion bond issued by a tribe shall be an obliga-
9 tion of, nor shall payment of the principal
10 thereof be guaranteed by, the United States.

11 (B) LAND AND FACILITIES.—Any land or
12 facilities purchased or improved with amounts
13 derived from qualified tribal school moderniza-
14 tion bonds issued under this subsection shall
15 not be mortgaged or used as collateral for such
16 bonds.

17 (8) SALE OF BONDS.—Qualified tribal school
18 modernization bonds may be sold at a purchase price
19 equal to, in excess of, or at a discount from the par
20 amount thereof.

21 (9) TREATMENT OF TRUST AGREEMENT EARN-
22 INGS.—Any amounts earned through the investment
23 of funds under the control of a trustee under any
24 trust agreement described in paragraph (4) shall not
25 be subject to Federal income tax.

1 “(b) AMOUNT OF CREDIT.—

2 “(1) IN GENERAL.—The amount of the credit
3 determined under this subsection with respect to any
4 credit allowance date for a qualified tribal school
5 modernization bond is 25 percent of the annual
6 credit determined with respect to such bond.

7 “(2) ANNUAL CREDIT.—The annual credit de-
8 termined with respect to any qualified tribal school
9 modernization bond is the product of—

10 “(A) the applicable credit rate, multiplied
11 by

12 “(B) the outstanding face amount of the
13 bond.

14 “(3) APPLICABLE CREDIT RATE.—For purposes
15 of paragraph (1), the applicable credit rate with re-
16 spect to an issue is the rate equal to an average
17 market yield (as of the date of sale of the issue) on
18 outstanding long-term corporate obligations (as de-
19 termined by the Secretary).

20 “(4) SPECIAL RULE FOR ISSUANCE AND RE-
21 DEMPTION.—In the case of a bond which is issued
22 during the 3-month period ending on a credit allow-
23 ance date, the amount of the credit determined
24 under this subsection with respect to such credit al-
25 lowance date shall be a ratable portion of the credit

1 otherwise determined based on the portion of the 3-
2 month period during which the bond is outstanding.
3 A similar rule shall apply when the bond is re-
4 deemed.

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

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

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

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

15 “(2) CARRYOVER OF UNUSED CREDIT.—If the
16 credit allowable under subsection (a) exceeds the
17 limitation imposed by paragraph (1) for such taxable
18 year, such excess shall be carried to the succeeding
19 taxable year and added to the credit allowable under
20 subsection (a) for such taxable year.

21 “(d) QUALIFIED TRIBAL SCHOOL MODERNIZATION
22 BOND; OTHER DEFINITIONS.—For purposes of this
23 section—

24 “(1) QUALIFIED TRIBAL SCHOOL MODERNIZA-
25 TION BOND.—

1 “(A) IN GENERAL.—The term ‘qualified
2 tribal school modernization bond’ means, sub-
3 ject to subparagraph (B), any bond issued as
4 part of an issue under section 2(b) of the In-
5 dian School Construction Act of 2001, as in ef-
6 fect on the date of the enactment of this sec-
7 tion, if—

8 “(i) 95 percent or more of the pro-
9 ceeds of such issue are to be used for the
10 construction, rehabilitation, or repair of a
11 school facility funded by the Bureau of In-
12 dian Affairs of the Department of the Inte-
13 rior or for the acquisition of land on which
14 such a facility is to be constructed with
15 part of the proceeds of such issue,

16 “(ii) the bond is issued by a tribe,

17 “(iii) the issuer designates such bond
18 for purposes of this section, and

19 “(iv) the term of each bond which is
20 part of such issue does not exceed 15
21 years.

22 “(B) NATIONAL LIMITATION ON AMOUNT
23 OF BONDS DESIGNATED.—

24 “(i) NATIONAL LIMITATION.—There is
25 a national qualified tribal school mod-

1 ernization bond limitation for each cal-
2 endar year. Such limitation is—

3 “(I) \$200,000,000 for 2002,

4 “(II) \$200,000,000 for 2003,

5 and

6 “(III) zero after 2003.

7 “(ii) ALLOCATION OF LIMITATION.—

8 The national qualified tribal school mod-
9 ernization bond limitation shall be allo-
10 cated to tribes by the Secretary of the In-
11 terior subject to the provisions of section 2
12 of the Indian School Construction Act of
13 2001, as in effect on the date of the enact-
14 ment of this section.

15 “(iii) DESIGNATION SUBJECT TO LIM-
16 TATION AMOUNT.—The maximum aggre-

17 gate face amount of bonds issued during
18 any calendar year which may be designated
19 under subsection (d)(1) with respect to any
20 tribe shall not exceed the limitation
21 amount allocated to such government
22 under clause (ii) for such calendar year.

23 “(iv) CARRYOVER OF UNUSED LIMITA-
24 TION.—If for any calendar year—

1 “(I) the limitation amount under
2 this subparagraph, exceeds

3 “(II) the amount of qualified
4 tribal school modernization bonds
5 issued during such year,

6 the limitation amount under this subpara-
7 graph for the following calendar year shall
8 be increased by the amount of such excess.

9 The preceding sentence shall not apply if
10 such following calendar year is after 2010.

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

13 “(A) March 15,

14 “(B) June 15,

15 “(C) September 15, and

16 “(D) December 15.

17 Such term includes the last day on which the bond
18 is outstanding.

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

21 “(4) TRIBE.—The term ‘tribe’ has the meaning
22 given the term ‘Indian tribal government’ by section
23 7701(a)(40), including the application of section
24 7871(d). Such term includes any consortium of
25 tribes approved by the Secretary of the Interior.

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

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

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

14 “(1) IN GENERAL.—There may be a separation
15 (including at issuance) of the ownership of a quali-
16 fied tribal school modernization bond and the entitle-
17 ment to the credit under this section with respect to
18 such bond. In case of any such separation, the credit
19 under this section shall be allowed to the person who
20 on the credit allowance date holds the instrument ev-
21 idencing the entitlement to the credit and not to the
22 holder of the bond.

23 “(2) CERTAIN RULES TO APPLY.—In the case
24 of a separation described in paragraph (1), the rules
25 of section 1286 shall apply to the qualified tribal

1 school modernization bond as if it were a stripped
2 bond and to the credit under this section as if it
3 were a stripped coupon.

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

11 “(i) 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 “(j) CREDIT TREATED AS ALLOWED UNDER PART
16 IV OF SUBCHAPTER A.—For purposes of subtitle F, the
17 credit allowed by this section shall be treated as a credit
18 allowable under part IV of subchapter A of this chapter.

19 “(k) REPORTING.—Issuers of qualified tribal school
20 modernization bonds shall submit reports similar to the
21 reports required under section 149(e).”.

22 (2) CLERICAL AMENDMENT.—The table of sub-
23 chapters for chapter 1 of the Internal Revenue Code
24 of 1986 is amended by adding at the end the fol-
25 lowing new item:

“Subchapter Y. Tribal school modernization provisions.”

1 (d) SOVEREIGN IMMUNITY.—This section and the
2 amendments made by this section shall not be construed
3 to impact, limit, or affect the sovereign immunity of the
4 Federal Government or any State or tribal government.

5 (e) EFFECTIVE DATE.—This section and the amend-
6 ments made by this section shall take effect on the date
7 of the enactment of this Act with respect to bonds issued
8 after December 31, 2001.

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