

QUALIFIED SCHOOL CONSTRUCTION BONDS

Background

State and local governments may issue up to \$22 billion in Qualified School Construction Bonds (QSCBs). QSCBs are any bond issued as part of an issue if 100% of the available project proceeds of the issue are used for the construction, rehabilitation, or repair of a public school facility or for the acquisition of land on which the facility is to be constructed and the issuer designates the bond for such a purpose. This tax credit program sharply reduces school borrowing costs by providing tax credits to bond holders in lieu of interest. School districts get interest-free loans and only pay back the principal. On a large project, savings typically can be 50 percent.

How much is available?

There is a total of \$22 billion available for 2009 and 2010 – \$11 billion for 2009 and \$11 billion for 2010. The U.S. Treasury Department allocates the \$11 billion among the states in proportion to the respective amounts each state is eligible to receive under § 1124 of the ESEA. The state is to further allocate these funds to issuers within the state. **Louisiana will receive \$131,622,000.** However, 40% of the total for the year is allocated by the U.S. Treasury Department to local educational agencies that are large local agencies for the calendar year. This portion is allocated in proportion to the respective amounts each agency received under § 1124 of the ESEA. The state's total allocation will be reduced by the aggregate amount of these allocations. For Louisiana, they are as follows:

- **Caddo Parish School Board - \$17,359,000**
- **East Baton Rouge Parish School Board - \$21,433,000**
- **Jefferson Parish School Board - \$21,646,000**
- **Orleans Parish School Board - \$39,607,000**

The Secretary of Education has the option to select an additional 25 large local educational agencies, but declined to do so for 2009. This information is based on the interim guidance issued by the U.S. Treasury Department, Qualified School Construction Bond Allocations for 2009, Notice 2009-35.

Eligible Issuers

States, political subdivisions, large local educational agencies that are state or local governmental entities, and entities empowered to issue bonds on behalf of any such entity are eligible issuers. An eligible issuer may issue QSCBs based on the allocation received by the eligible issuer itself or by a conduit borrower or other ultimate beneficiary of the issue. The eligible costs of public school facilities financed with QSCBs must relate to facilities within both the jurisdiction of the issuer and of the authorized entity that allocates to the issue of QSCBs for the financing of those facilities. Authorized entities include the state and the large local educational agencies.

Reference:

<http://www.ncef.org/school-modernization/>