

QUALIFIED ZONE ACADEMY BONDS

Background

Qualified Zone Academy Bonds (QZABs) are any bond issued as part of an issue if 100% of the available project proceeds are to be used for a **qualified purpose** with respect to a **qualified zone academy** established by an eligible local education agency (LEA), it is issued by a state or local government within the jurisdiction of which such academy is located, and the issuer:

- Designates the bond as QZAB,
- Certifies that it has written assurances that the **private business contribution requirement** will be met,
- Certifies that it has written approval of the eligible LEA for issuance.

Just like Qualified School Construction Bonds (QSCBs), 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.

What is a “qualified purpose”?

QZABs may be used for:

- Rehabilitating or repairing a public school facility;
- Providing equipment;
- Developing course materials; and
- Training teachers and other school personnel.

What is a “qualified zone academy”?

A qualified zone academy is defined as any public school or academic program within a public school which is established and operated by a local education agency to provide education or training. Additionally, the public school must be located in an empowerment zone or enterprise community or must have at least 35% of students eligible for free or reduced cost lunches.

What is the private business contribution requirement?

The private business contribution is met if the eligible LEA that established the qualified zone academy has written commitments from private entities to make contributions that have a present value of not less than 10% of the proceeds of the issue. These contributions may be:

- Equipment for use in the qualified zone academy;
- Technical assistance in developing curriculum or training teachers to promote appropriate market driven technology in the classroom;
- Employees’ services as volunteer mentors;
- Internships, field trips, or other educational opportunities outside the academy; or
- Any other property or serviced specified by the LEA.

How much is available?

There is an additional \$2.8 billion available for 2009 and 2010 – \$1.4 billion for 2009 and \$1.4 billion for 2010. Louisiana’s allocation for 2008 is \$7,756,000. **Louisiana’s allocation for 2009 is \$27,146,000.** The U.S. Department of the Treasury allocates the bonds to states on the basis of their population of individuals below the poverty line. The state education agency then allocates to qualified zone academies within the state.

*The above information is based on the interim guidance issued by the U.S. Treasury Department, Qualified Zone Academy Bond Allocations for 2008 and 2009, Notice 2009-03. <http://www.ncef.org/school-modernization/>