Agenda Topic: Applications for Qualified Zone Academy Bond Credit Allocations

Materials: Applications (Under Separate Cover)

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Purpose of Agenda Item

- To approve the applications submitted by the Board of Education of Aurora West Unit School District 129 ($2,000,000); Board of Education of Champaign Community Unit School District 4 ($1,964,885); Board of Education of the City of Chicago ($3,940,115); Board of Education of DeKalb Community Unit School District 428 ($500,000); and District(s) to be announced ($5,500,000) for designation of a total of $13,905,000 in bonds as Qualified Zone Academy Bonds pursuant to the provisions of Section 1397E of the Internal Revenue Code of 1986, as amended (The Qualified Zone Academy Bond Program).

Expected Outcome(s) of Agenda Item

- Approval of the item will allow Qualified Zone Academy Bonds to be issued on behalf of the above named applicants. Purchasers of such bonds receive a tax credit on the federal taxes in lieu of interest payments resulting in substantial savings for the issuers.

Background Information

The Qualified Zone Academy Bond program is a source of limited financial assistance to rehabilitate or repair public school facilities or provide equipment created under Section 226 of the Taxpayer Relief Act of 1997 (P.L. 105 - 34). The program permits school districts to borrow funds from certain financial institutions at little or no interest cost by issuing ‘Qualified Zone Academy Bonds.’ Proceeds of qualified zone academy bonds may be used for four purposes. These include: repair or rehabilitation of school buildings, provision of equipment for the school, development of course materials for the zone academy, or training teachers and other school personnel of the academy. Purchasers of such bonds receive federal tax credits instead of interest thereby substantially reducing the cost of borrowing by the issuing school district.
The local school board must designate the school as a ‘zone academy.’ The school must be located in a federally designated empowerment zone or enterprise community; or have at least 35% of a school’s students be eligible for free or reduced-cost lunches if located elsewhere. The school must establish a public-private partnership, and it must secure written commitments from private entities for substantial contributions. Substantial contributions are equal to 10% or more of the capital borrowed on behalf of the zone academy. The local school board must then receive an allocation of borrowing authority from ISBE and issue the bonds for one or more of the qualified purposes indicated above.

The Act authorizes $400 million of zone academy bonds to be issued nationally and provides for the allocation of this amount among the states and territories. The Illinois share of this authorization was set at $14,718,000 by the Secretary of the Treasury for 1998, $14,231,000 for 1999, $13,398,000 for 2000, and $13,905,000 for 2001. The Act assigns the state education agency the duty to allocate the states’ share among qualified applicants. Letters will certify the districts listed below to the various stipulations in the Act and will include letters confirming sufficient private business support.

Aurora West Unit School District 129 (Kane County) - $2,000,000
Champaign Community Unit School District 4 (Champaign County) - $1,964,885
Chicago Public Schools District 299 (Cook County) - $3,940,115
DeKalb Community Unit School District 428 (DeKalb County) - $500,000

These districts are the only qualified applicants to have requested an authorization at this time. They are submitting copies of their program plan, a facility plan for the proposed Zone Academy, and the documentation relevant to the bond issue for agency record keeping purposes.

The allocation for calendar year 1998 was $14,000,000 of the authorization for the Board of Education of the City of Chicago to issue Qualified Zone Academy Bonds to finance a “qualified zone academy” known as The Chicago Military Academy at Bronzeville. The Academy is a magnet high school and the first academy in the country for the Junior Reserve Officers’ Training Corps (‘JROTC’).

The allocations for calendar year 1999 were for authorizations to issue Qualified Zone Academy Bonds as follows:

$996,000 for the Board of Education of West Aurora School District 129 to improve the facilities which support and enhance the cooperative programs implemented at Lincoln Elementary School.
$12,000,000 for the Board of Education of the City of Chicago to renovate the facilities in conformity with the capital improvement plan for Southside College Preparatory Academy.

$500,000 for the Board of Education of Mendota Community Consolidated School District 289 to help implement the School Improvement Plan at Lincoln School.

$500,000 for the Board of Education of DeKalb Community Unit School District 428 to support implementation of their School Improvement Plan at Jefferson Elementary School.

The allocations for calendar year 2000 were for authorizations to issue Qualified Zone Academy Bonds as follows:

$13,391,000 for the Board of Education of the City of Chicago to support implementation of their School Improvement Plans at Richard Crane Technical Preparatory Common School, David G. Farragut Career Academy, Kenwood Academy High School, Roger C. Sullivan High School, and Robert Lindblom Technical High School.

$60,000 for the Board of Education of Shawnee Community Unit School District 84 to support implementation of their School Improvement Plan at Shawnee High School.

$900,000 for the Board of Education of Paris-Union School District 95 to help towards renovating facilities for the Paris Academy of Industrial Technology at Paris High School.

Analysis and Implications for Policy, Budget, Legislative Action and Communications

After approval of these four applications, $5,500,000 of authority to designate bonds as Qualified Zone Academy Bonds will remain for the calendar year and agency staff will continue to assist districts in meeting all the QZAB requirements in order to qualify.

Superintendent’s Recommendation

Approve

Next Steps

The four applicants are submitting documents relevant to the bonds issued for our record keeping purposes.