TO: Illinois State Board of Education

FROM: Robert E. Schiller, Superintendent
       David Wood, Director

Agenda Topic: Action Item: Qualified Zone Academy Bond Credit
              Allocations for FY 02 and FY 03

Staff Contact(s): Dave Wood and Gary Ey

Purpose of Agenda Item
To approve applications submitted by local school boards of education for the following
school districts:

<table>
<thead>
<tr>
<th>District Name</th>
<th>QZAB Allocation</th>
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<tbody>
<tr>
<td>Aurora West Unit School District 129</td>
<td>$1,000,000.</td>
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<tr>
<td>Champaign Community Unit School District 4</td>
<td>$1,200,000.</td>
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<tr>
<td>City of Chicago School District 299</td>
<td>$4,589,613.</td>
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<tr>
<td>East Alton School District 13</td>
<td>$  790,000.</td>
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<tr>
<td>Red Hill Community Unit School District 10</td>
<td>$3,900,000.</td>
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<tr>
<td>Cahokia Community Unit School District 187</td>
<td>$1,700,000.</td>
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<tr>
<td>Litchfield Community Unit School District 12</td>
<td>$2,000,000.</td>
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<tr>
<td>Granite City Community Unit School District 9</td>
<td>$1,648,387.</td>
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<tr>
<td>Spoon River Valley Community Unit School District 4</td>
<td>$  845,000.</td>
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<tr>
<td>Griggsville-Perry Community Unit School District 4</td>
<td>$1,055,000.</td>
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<tr>
<td>Massac Unit District 1</td>
<td>$3,070,000.</td>
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<td>Roxana Community Unit School District 1</td>
<td>$1,050,000.</td>
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<td>Pleasant Hill Community Unit School District 3</td>
<td>$  250,000.</td>
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<tr>
<td>Robinson Community Unit School District 2</td>
<td>$4,150,000.</td>
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<tr>
<td>Lawrence Community Unit School District 20</td>
<td>$  500,000.</td>
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<tr>
<td>Jersey Community Unit School District 100</td>
<td>$  600,000.</td>
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<tr>
<td>Pikeland Community Unit School District 10</td>
<td>$2,790,000.</td>
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</table>

The total FY 02 and FY 03 designation is for $31,138,000 in 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
The Board will approve the allocation and thus allow Qualified Zone Academy Bonds for
the above named applicants to be issued.
Background Information
The Qualified Zone Academy Bond program was created under Section 226 of the Taxpayer Relief Act of 1997 (P.L. 105 – 34). It permits school districts to borrow funds from certain financial institutions at substantial savings over other forms of debt because purchasers of such bonds receive a federal tax credit in lieu of interest payments. Bond proceeds may be used for four purposes, including: repair or rehabilitation of school buildings, provision of school equipment, development of course materials for the zone academy, or training teachers and other school personnel of the academy. The local school board must designate the school as a ‘zone academy’ and the school must either be located in a federally designated empowerment zone or enterprise community or, if located elsewhere, must have at least 35% of its students eligible for free or reduced-cost lunches. The school must establish a public-private partnership, and it must secure written commitments from private entities for contributions equal to 10% or more of the capital borrowed on behalf of the zone academy. The local school board must receive an allocation of borrowing authority from ISBE.

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. Illinois share was $14,718,000 for 1998, $14,231,000 for 1999, $13,398,000 for 2000, $13,905,000 for 2001, $16,827,000 for 2002, and $14,311,000 for 2003. The Act assigns the state education agency the duty to allocate the states' share among qualified applicants.

The districts listed above are the qualified applicants to have requested an authorization at this time and have submitted copies of their program plan, a facility plan for the proposed Zone Academy, and documentation relevant to the bond issue.

The allocations for calendar year 2002 were for authorizations to issue Qualified Zone Academy Bonds as follows:

$1,727,413 for the Board of Education of the City of Chicago School District 299 for the development of small schools at Bowen High School, and South Shores to support Amundsen’s School Based Health Center.

$239,587 for the Board of Education of Champaign Community Unit School District 4 to develop an advanced technology based tutoring system supported by a wide area network to Columbia Center.

$1,000,000 for the Board of Education of Aurora West School District 129 to improve the facilities at Nancy Hill Elementary School.

$790,000 for the Board of Education of East Alton School District 13 to purchase equipment and energy related renovations for Lincoln, Washington, and Eastwood Elementary Schools and the East Alton Middle School.

$3,900,000 for the Board of Education of Red Hill Community Unit School District 10 to remodel the gymnasium and vocational building of Red Hill High School.
$1,700,000 for the Board of Education of Cahokia Community Unit School District 187 to improve the facilities and curriculum to Cahokia High School.

$2,000,000 for the Board of Education of Litchfield Community Unit School District 12 to remove and replace the HVAC system in Colt, Sihler, Madison Park and Russell Elementary Schools and rehabilitate six classrooms in the Russell Elementary School.

$845,000 for the Board of Education of Spoon River Valley Community Unit School District 4 to make the Elementary and High School more efficient.

$1,055,000 for the Board of Education of Griggsville-Perry Community Unit School District 4 to provide equipment and renovations for the High School, Middle and Elementary School.

$3,070,000 for the Board of Education of Massac Unit District 1 to renovate the Unity, Franklin, Brookport, Clark, and Jefferson Elementary Schools, and Metropolis Middle Schools and the Massac County High School.

$500,000 for the Board of Education of Lawrence Community Unit School District 20 to upgrade the HVAC system in order to accommodate air conditioning throughout the Parkview Junior High School.

The allocations for calendar year 2003 were for authorizations to issue Qualified Zone Academy Bonds as follows:

$960,413 for the Board of Education of Champaign Community Unit School District 4 to develop an advanced technology based tutoring system supported by a wide area network to Columbia Center.

$2,862,200 for the Board of Education of the City of Chicago School District 299 for the development of small schools at Bowen High School, and South Shores to support Amundsen’s School Based Health Center.

$1,648,387 for the Board of Education of Granite City Community Unit School District 9 to improve academic achievement, provide a safe and healthy environment and to increase the use of technology in the classrooms of Maryville, Mitchell, Worthen, Niedringhaus, Prather, and Wilson Elementary Schools.

$1,050,000 for the Board of Education of Roxana Community Unit School District 1 to purchase equipment, abate asbestos, and address other Health/Life Safety issues at Central and South Roxana Elementary Schools.

$250,000 for the Board of Education of Pleasant Hill Community Unit School District 3 to renovate the gymnasium, and enhance the academic curriculum in the area of physical development and health at Pleasant Hill High School.
$4,150,000 for the Board of Education of Robinson Community Unit School District 2 for renovations and equipment at the Robinson High School and technology at Lincoln, and Washington Elementary Schools, and Nuttall Middle School.

$600,000 for the Board of Education of Jersey Community Unit School District 100 to provide an integrated school improvement plan to produce well disciplined, responsible, creative and productive students at the Jerseyville West Elementary School.

$2,790,000 for the Board of Education of Pikeland Community Unit School District 10 to renovate the Pittsfield South Elementary School, Pikeland Community School, and Pittsfield High School to be more energy efficient.

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

After approval of these eighteen applications, no authority to designate bonds as Qualified Zone Academy Bonds will remain for the calendar years 2002 and 2003; however, agency staff are working with our federal lobbyist and the Chicago Public Schools to get any unallocated Qualified Zone Academy Bonds in other states for Illinois school districts. Agency staff will continue to assist approved districts meet the QZAB requirements.

Because of the application requirements the Chicago Public Schools have been one of the few districts to access this program historically. Until this year they have received most of Illinois allocation. The 2002 and 2003 proposed allocation gives CPS only 20% of the total based on their share of the state school construction program. CPS has specifically requested that the state allocate these funds internally to Illinois school districts in the same way that the federal government allocates them to states – on the basis of poverty children. Currently the total Illinois free and reduced lunch count is 758,312 of which 366,396 (48.3%) are at CPS. While it is true that CPS has significantly more poverty students than the other districts being considered in 2002 and 2003, given CPS historic share of these funds, it seems fair to encourage other districts to participate in the program as well.

**Superintendent’s Recommendation**

Approve the 2002 and 2003 allocation as recommended above.

**Next Steps**

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