ILLINOIS STATE BOARD OF EDUCATION MEETING  
May 13, 2003

TO: Illinois State Board of Education
FROM: Robert E. Schiller, Superintendent  
       David Wood, Director

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

**Staff Contact(s):** Dave Wood and Donna Luallen

**Purpose of Agenda Item**
To approve application submitted by local school board of education for the following school district:

<table>
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<tr>
<th>District Name</th>
<th>QZAB Allocation</th>
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<td>Granite City Community Unit School District 9</td>
<td>$1,200,000.</td>
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Granite City Community Unit School District 9 applied for $3,000,000 bond authority for the FY 02 and FY 03 but was only approved for $1,648,387 during the January 16, 2003 board meeting. This time they are requesting for an additional $1,200,000 QZABs relinquished by Champaign Community Unit School District 4, resulting in their combined allocation of $2,848,387.

The $1,200,000 is part of the total FY 02 and FY 03 designation of $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 applicant 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, $13,998,000 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 district listed above is a qualified applicant to have requested an authorization at this time and has submitted copies of their program plan, a facility plan for the proposed Zone Academy, and documentation relevant to the bond issue.

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

$239,587 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 and Wilson Elementary Schools.

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

$960,413 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 and Wilson Elementary Schools.
Analysis and Implications for Policy, Budget, Legislative Action and Communications

After approval of this application, 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
Granite City Community Unit School District 9 is submitting documents relevant to the bonds issued for our record keeping purposes.