

Updated: April 2013

Qualified Zone Academy Bond (QZAB) Program

The Qualified Zone Academy Bond Program (QZAB), created in 1997, has been extended through 2013 by the Fiscal Cliff negotiations and the passage of the American Taxpayer Relief Act of 2012 (P.L. No. 112-240). The QZAB program provides federal tax credits in lieu of interest on bonds designated as QZAB's by the issuing school district. QZAB proceeds may be used for rehabilitating or repairing public school facilities, investing in new equipment and technology, developing challenging course materials or training teachers; but they cannot be used for new school construction.

In order to designate bonds as QZAB's, a school district must receive an allocation of the State's volume cap through application to the State Board of Education. To qualify for an allocation, the school or program designated as a qualified zone academy by the school district must be located in an empowerment zone or an enterprise community; or there is a reasonable expectation that at least 35 percent of their students are eligible for free or reduced-cost lunches under the National School Lunch Act. Additionally, private business contributions that total at least 10% of the face value of bonds to be designated as QZAB's must be secured by the issuing district on behalf of the zone academy.

A qualified zone academy is a school or program that provides education and training below the postsecondary level if: (1) the public school or program is/was designed in cooperation with business to enhance the academic curriculum, increase graduation and employment rates, and better prepare students for the rigors of college and the increasingly complex workforce, (2) students in the public school or program will be subject to the same academic standards and assessments as other students educated by the eligible local education agency, and (3) the comprehensive educational plan of the public school or program is approved by the eligible local education agency,

The federal legislation provided for national allocations of \$400 million for calendar year 2012, and 2013. The Internal Revenue Service notice (IRS Notice 2013 – 3) provides that Illinois' share of these allocations is \$14.893 million (for calendar year 2012) and \$ 14.893 million (for calendar year 2013), for a total of \$29.786 million. Changes to the program made by the American Taxpayers Relief Act of 2012 are discussed in the Notice which is available at: <http://www.irs.gov/pub/irs-drop/n-13-03.pdf> .

Allocations will be based on the relative degree of poverty as reflected by the percentage of students eligible for free or reduced lunch, with preference given to those school districts that have not previously been awarded an allocation.

The State Board of Education will be accepting applications and supporting materials for the calendar year 2012 and 2013 allocations beginning April 15, 2013. Applications through May 31, 2013. Additional information are available on the ISBE web site at: <http://www.isbe.net/construction/html/qzab.htm>

For further questions or inquiries, please call **Kim Beachy, School Business Services** at **217-785-8779**.

Qualified School Construction Bond (QSCB) Program

The Qualified School Construction Bond Program (QSCB's) is a new category of tax credit bonds for the construction, rehabilitation, or repair of public school facilities or for the acquisition of land on which a public school facility will be constructed, and expenditures for costs of acquisition of equipment to be used in the facility that is being constructed, rehabilitated or repaired with the proceeds of QSCB's. The program was created by the American Recovery and Reinvestment Act of 2009 (ARRA). It provides federal tax credits to bondholders in lieu of the issuing school district paying interest on the borrowing.

The ARRA provides for national allocations of \$11 billion for each of calendar years 2009 and 2010. The Internal Revenue Service notice (IRS Notice 2009 – 35) provides that Illinois' share of these allocations for calendar year 2009 is \$254.25 million for the City of Chicago School District 299, and \$244.435 million for the balance of the state. The allocations for calendar year 2010 have yet to be made by the IRS.

There are currently no allocations for the current fiscal year. If allocations become available, ISBE will make proper notification.

Build America Bond (BAB) Program

The Build America Bond Program (BAB) is a new category of taxable bonds available to school districts for the construction, rehabilitation, or repair of public school facilities and other purposes. Bonds designated as BAB's provide either a tax credit to the bond holder in lieu of part of the interest, or reimburse the issuing district for a portion of the interest paid. There is neither a national or state volume cap regarding such bonds.

Additional information concerning Build America Bonds may be obtained from your financial advisor from the IRS web site. See: <http://www.irs.gov/pub/irs-drop/n-09-26.pdf>

Due to Sequestration the IRS has issued guidance on Build America Bonds and other federal bond programs. See: http://www.irs.gov/pub/irs-tege/fy_2013_teb_workplan.pdf