



STATE OF MICHIGAN
DEPARTMENT OF EDUCATION
LANSING



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GOVERNOR

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SUPERINTENDENT OF
PUBLIC INSTRUCTION

July 2, 2009

MEMORANDUM

TO: Local and Intermediate School District Superintendents and Public School Academy Directors

FROM: Carol Wolenberg, Deputy Superintendent *CW*

SUBJECT: American Recovery and Reinvestment Act - Qualified School Construction Bond (ARRA-QSCB) Program

The Michigan Department of Education (MDE) is pleased to announce the availability of a new bond program that may benefit all local and intermediate school districts as well as public school academies. The American Recovery and Reinvestment Act - Qualified School Construction Bond (ARRA-QSCB) Program is a federal program of which public schools can take advantage to finance the construction, rehabilitation, or repair of a public school facility or for the acquisition of land on which a facility is to be constructed on an interest-free basis through the allocation of tax credits. Over \$296 million of financing will be issued.

Created by the American Recovery and Reinvestment Act of 2009, ARRA-QSCBs are obligations issued by state or local governments to renovate and improve public schools. These obligations may be used on behalf of schools or programs that meet the following criteria:

- A district must spend 10 percent of its ARRA-QSCB allocation within 6 months and 100 percent within 3 years of receiving an award letter from MDE.
- An allocation cap of \$15 million for the district will be applied. The allocations will be distributed on a "first come, first serve" basis. If funds remain at MDE after 9 months of the announcement of available allocations, districts may request a waiver to exceed the \$15 million district cap.
- Additionally, it is mandatory that districts consult legal counsel to ensure their proposal complies with all federal and state laws, rules, guidelines, and regulations. This also includes working with bond counsel to verify that the proceeds of ARRA-QSCBs are used for purposes permitted under federal and state law.

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Local and Intermediate School District Superintendents and
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July 2, 2009

Page 2

The ARRA-QSCB is a loan that must be repaid within a specified time. The rate of the tax credit and the maximum term of the bond are determined by the United States Treasury Department. In most cases, the tax credit mechanism eliminates the cost of interest only, not the bond principal.

For more information about the federal ARRA-QSCB Program, visit:

<http://www.ed.gov/policy/gen/leg/recovery/modernization/index.html>

To obtain an application for a ARRA-QSCB allocation, visit the Michigan Department of Education's website at www.michigan.gov/mde (left hand side of screen select Grants button, then select Other Federal and Private Grant Sources) under Qualified School Construction Bond, or contact Andy DeYoung in Grants Coordination and School Support at (517) 373-4583.

cc: William Mayes, MASA
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