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GOVERNOR

STATE OF MICHIGAN
DEPARTMENT OF EDUCATION
LANSING

MICHAEL P. FLANAGAN
SUPERINTENDENT OF
PUBLIC INSTRUCTION

March 21, 2011

MEMORANDUM

TO: State Board of Education

FROM: Michael Flanagan, Chairman 

SUBJECT: Approval of Criteria for the Qualified Zone Academy Bond Program

The Qualified Zone Academy Bond (QZAB) Program is a federal program to help strengthen schools serving large concentrations of low-income families. Eligible local and intermediate school districts and public school academies can take advantage of this program to finance equipping and/or renovating of school facilities through the allocation of tax credits or payment by the federal government of most or all of the interest on the QZAB.

On March 24, 2000, all districts were notified of the availability of this program and were invited to submit applications to the Department. At that time approximately \$33 million in these tax credits were available to be issued in Michigan. An additional \$58 million became available for 2001 through 2005. Approximately \$134 million in new allocation authority has been made available to Michigan districts from 2006 through 2011.

Created by the Taxpayer Relief Act of 1997, QZABs are obligations issued by state or local governments to renovate and improve certain eligible public schools. The QZAB is a loan that must be repaid within a specified time. The tax credit rate and the maximum term of the bond are determined by the United States Treasury Department. The tax credit mechanism reduces or eliminates the cost of interest only, not the bond principal. These obligations may be used on behalf of schools or programs that meet eligibility criteria:

- The school building is located in an empowerment zone or an enterprise community, or has at least 35 percent of its students eligible for free or reduced-cost lunches under the National School Lunch Act.
- An eligible school must have an education program designed in cooperation with business and receive a private business contribution that is not less than 10 percent of the proceeds of the bond.

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- An eligible school must have an education plan that is approved by its school district, and its students must be subject to the same standards and assessments as other students in the district.
- An eligible school must spend 100 percent of its QZAB allocation within 3 years.

The Michigan Departments of Education and Treasury collaborated to develop the initial QZAB application process in 2000. In order to accommodate requests from a broad range of eligible applicants, the departments established an allocation cap along with the federal program requirements. That additional criterion stated that an eligible district could apply for more than one project, i.e., several school sites, as long as each site met the eligibility requirements. The allocation cap for each site was \$2 million. The allocation cap for each district was \$5 million. The departments also agreed to a concept of approving allocations on a "first come, first served" basis.

It is recommended that the State Board of Education approve the criteria for the Qualified Zone Academy Bond Program as attached to the Superintendent's memorandum, dated March 21, 2011.

MICHIGAN
STATE BOARD OF EDUCATION

Criteria for Qualified Zone Academy Bond (QZAB) Program

The State Board of Education has adopted as its goal "Significant and meaningful improvement in the academic performance of all students/children with major emphasis on the persistently lowest achieving schools and students."

To the extent possible, all grant criteria and grant awards will serve to further attain the above goal, and the Board's Vision and Principles of Universal Education.

PRIORITIES, POLICIES, AND PROGRAMS THAT THESE CRITERIA SUPPORT

The Qualified Zone Academy Bond (QZAB) Program will help to provide a safe and productive learning environment by ensuring school buildings are well maintained and meet safety standards. This is consistent with the SBE priority to "collaborate with key stakeholders to promote comprehensive school finance and service delivery reforms, restructuring, and predictable revenues for Prekindergarten through higher education."

BACKGROUND/PURPOSE OF GRANT

X Competitive Formula New X Continuation (*check all that apply*)

The QZAB Program is a federal program to help strengthen schools serving large concentrations of low-income families. Eligible local and intermediate school districts and public school academies can take advantage of this program to finance the equipping and/or renovating of school facilities through the allocation of tax credits or payment by the federal government of most or all of the interest on the QZAB.

CRITERIA

Date criteria were last approved May 8, 2007

X Defined in Statute Defined in Department's Approved Grant Application to the Funder X Proposed by Staff

- The school building is located in an empowerment zone or an enterprise community, or has at least 35 percent of its students eligible for free or reduced-cost lunches under the National School Lunch Act.
- An eligible school must have an education program designed in cooperation with business and receive a private business contribution that is not less than 10 percent of the proceeds of the bond.
- An eligible school must have an education plan that is approved by its school district, and its students must be subject to the same standards and assessments as other students in the district.
- An eligible school must spend 100 percent of its QZAB allocation within 3 years.
- Additionally, an allocation cap of \$2 million for each building and \$5 million for the district will be applied. The allocations will be distributed on a "first come, first serve" basis. If funds remain after 9 months of the announcement of available allocations, districts may request a waiver to exceed the \$5 million cap.

ELIGIBLE APPLICANTS/TARGET POPULATION TO BE SERVED BY GRANT

Districts and buildings serving large concentrations of low-income families are targeted to receive QZAB allocations.

TOTAL FUNDS AVAILABLE

\$13,987,000

STATUTE

Emergency Economic Stabilization Act of 2008
PL 110-343 (HR 1424) October 3, 2008, EMERGENCY ECONOMIC STABILIZATION--ENERGY
IMPROVEMENT AND EXTENSION--TAX EXTENDERS AND ALTERNATIVE MINIMUM TAX
RELIEF ACT

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