



STATE OF MICHIGAN
DEPARTMENT OF EDUCATION
LANSING



MICHAEL P. FLANAGAN
SUPERINTENDENT OF
PUBLIC INSTRUCTION

JENNIFER M. GRANHOLM
GOVERNOR

April 23, 2007

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 on an interest-free basis through the allocation of tax credits.

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 \$25 million in new allocation authority has been made available to Michigan districts for 2006 and 2007.

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 rate of the tax credit and the maximum term of the bond are determined by the United States Treasury Department. The tax credit mechanism 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.
- 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.

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An eligible school must spend 10 percent of its QZAB allocation within 6 months and 95 percent within 5 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 April 23, 2007.

**MICHIGAN
STATE BOARD OF EDUCATION**

Criteria for the Qualified Zone Academy Bond Program

The State Board of Education has adopted as its Strategic Goal "Attain substantial and meaningful improvement in academic achievement for all students/children with primary emphasis on high priority schools and students."

To the extent possible, all grant criteria and grant awards will serve to further attain the above goal.

PRIORITIES, POLICIES, AND PROGRAMS THAT THESE CRITERIA SUPPORT

The Qualified Zone Academy Bond (QZAB) Program will provide a safe and productive learning environment by ensuring school buildings are well maintained and meet safety standards. This is consistent with Objective 2 of the SBE Strategic Plan.

BACKGROUND/PURPOSE OF GRANT

Competitive Formula New 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 on an interest-free basis through the allocation of tax credits.

CRITERIA

Date criteria were last approved _____ New _____

Defined in Legislation Defined in Department's Approved Proposed by Staff

In order to be considered for a QZAB allocation, a district must meet all of the following 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.

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 10 percent of its QZAB allocation within 6 months and 95 percent within 5 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

\$24,550,000

LEGISLATION

Tax Relief and Health Care Act of 2006

OFFICE ADMINISTERING GRANT/PROGRAM CONTACT

Grants Coordination and School Support/Mary Ann Chartrand