



STATE OF MICHIGAN
DEPARTMENT OF EDUCATION
LANSING

RICK SNYDER
GOVERNOR

MICHAEL P. FLANAGAN
STATE SUPERINTENDENT

February 14, 2013

MEMORANDUM

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

FROM: Carol Wolenberg, Deputy Superintendent *Carol*

SUBJECT: Qualified Zone Academy Bond (QZAB) Program

The Michigan Department of Education is pleased to announce the availability of a bond program that may benefit eligible local education agencies (LEAs), intermediate school districts (ISDs), and public school academies (PSAs). The Qualified Zone Academy Bond (QZAB) Program is a federal program to help strengthen schools serving large concentrations of low-income families. Eligible LEAs, ISDs, and PSAs can take advantage of this program to finance equipping and/or renovating of school facilities through the allocation of tax credits by the federal government of most or all of the interest on the QZAB. Michigan has over \$40,000,000 of QZAB authority available to allocate to local districts.

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. The following obligations may be used on behalf of schools or programs that meet eligibility criteria:

- The school 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 a business and receive a private business contribution that is not less than 10 percent of the proceeds of the bond.

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608 WEST ALLEGAN STREET • P.O. BOX 30008 • LANSING, MICHIGAN 48909
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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 three years.
- Additionally, allocation caps 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 served" basis. If funds remain at the Department after nine months of the announcement of available allocations, districts may request a waiver to exceed the \$2 million building cap, the \$5 million district cap, or both.

For more information about the federal QZAB Program, visit:

<http://www2.ed.gov/programs/qualifiedzone/index.html>

To obtain an application for a QZAB allocation, visit the Michigan Department of Education's website at <http://www.michigan.gov/mde>. Select the Grants tab on the left side of the screen, then select Other Federal and Private Grant Sources. Click on Qualified Zone Academy Bond. The application link is on the bottom of that page. For additional information, contact Eric Lipinski in the Grants Coordination and School Support Unit at (517) 373-8451.

cc: Michigan Education Alliance