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GOVERNOR

STATE OF MICHIGAN
DEPARTMENT OF EDUCATION
LANSING

MICHAEL P. FLANAGAN
SUPERINTENDENT OF
PUBLIC INSTRUCTION

July 26, 2012

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 (MDE) is pleased to announce the availability of a bond program that may benefit eligible local and intermediate school districts as well as public school academies. The federal QZAB program aims to 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.

Over \$18,000,000 in QZAB financing is currently available from Michigan's 2010 allocation. If districts wish to take advantage of this financing, it is important to apply as soon as possible. **Any district approved for QZAB financing from the 2010 allocation is required to issue the bonds by December 31, 2012.**

There is also a 2011 allocation of \$13,987,000 which will become available to apply for after January 1, 2013.

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 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 ten 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 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.

For more information about the federal QZAB Program, visit:

www.ed.gov/programs/qualifiedzone/index.html

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

cc: Michigan Education Alliance