

State Board Policy on Qualified Zone Academy Bonds

BACKGROUND

The Taxpayer Relief Act of 1997 provides a new financial tool that can be used by State Education Agencies to encourage the formation of partnerships between public schools and local businesses. The Act provides for \$400 million of bond authority in 1998 and \$400 million in 1999 for the issuance of interest free Qualified Zone Academy Bonds (QZABs). The IRS has allocated these amounts among the States in proportion to each State's share of the poverty population. Mississippi's allocation is:

1998	\$5,922,000
1999	<u>\$4,800,000</u>
Total	\$10,722,000

QZABs are a new interest free financial instrument that provides a different form of subsidy from traditional tax-exempt bonds. The difference is that the QZAB bondholder (these include banks, insurance companies and corporations actively involved in the business of lending money) receives a federal income tax credit in an amount equal to a percentage of the face amount of the bond. The local school board will be responsible for the issuance of QZAB debt under existing statutory authority and the repayment of the QZAB principal upon maturity. The credit (interest) rate and maximum maturity (about 14 years under current market conditions) are determined by statutory formulas.

QZABs are to be issued in support of a Qualified Zone Academy. A Qualified Zone Academy is defined to include a public school (not a school district) or academic program within a school that enters into a partnership with one or more local businesses to enhance the academic curriculum, increase graduation and employment rates, and better prepare students for the rigors of college and the workforce under a plan approved by the local school board. Eligible schools must be located in an empowerment zone or an enterprise community or expect to have at least 35 percent or more of their students eligible for free or reduced lunch under the National School Lunch Act. Students in a Qualified Zone Academy must be subject to the same academic standards and assessments as other students educated by the local school system. A Comprehensive Education Plan must be developed by the partnership and must be approved by the board of education of the local school district.

Before QZABs may be issued there must be a written Pledge Agreement between a Qualified Zone Academy and one or more local businesses under which the business(es) pledge contributions having a present value of at least 10 percent of the gross proceeds of the QZABs. For this purpose, the following constitute eligible contributions:

- equipment for use in the qualified zone academy (including state-of-the-art technology and vocational equipment),
- technical assistance in developing curriculum or in training teachers in order to promote appropriate market driven technology in the classroom,
- internships, field trips, or other educational opportunities outside the academy for students, or
- any other property (including cash) or service specified by the board of education of the local school district.

The QZABs must be issued by the board of education of the local school district for the benefit of a Qualified Zone Academy. The proceeds of QZABs can be used only for:

- rehabilitating or repairing the public school facility in which the academy is established;
- providing equipment for use at an academy;
- developing course materials for education to be provided at an academy; or
- training teachers and other school personnel in an academy.

It is the responsibility of the board of education of the local school district to determine whether the purposes for which the QZAB is issued conform to applicable State and Federal law.

The Department of Education has the responsibility of allocating portions (or all) of the amount of QZAB authority allocated to the State to one or more Qualified Zone Academies. Amounts allocated to the State for a year that are not allocated to Qualified Zone Academies during that year will be carried over and allocated in any subsequent year.

ALLOCATION OF QZAB TO PUBLIC SCHOOL DISTRICTS

The total amount of QZABs allocated to Mississippi (\$10,722,000) will be available to public school districts that meet established criteria on first-come-first-served basis. The Department will make that determination based on the date and time the QZAB Application is received from the school district. The amount of QZABs available to public school districts will range from a minimum of \$250,000 to a maximum of \$2,500,000.

QZAB APPLICATION

The QZAB Application (copy attached) must be completed in its entirety. Incomplete or incorrect QZAB Applications will not be considered and will be promptly returned. One (1) QZAB Application must be completed for each Qualified Zone Academy. Upon official notification of the QZAB program by the Department, the local school district will have thirty (30) working days to submit the

QZAB Application. The Department will review the QZAB Application and notify the school superintendent as to whether or not the QZAB Application meets Preliminary Approval. Preliminary Approval will be granted upon timely submission of a completed QZAB Application. Upon notification of Preliminary Approval, the local school district will then have 180 working days to submit the following:

- **A copy of the written Pledge Agreement established between the local school board and one or more businesses under which the business(es) pledge contributions having a present value of at least 10% of the anticipated gross proceeds of the QZABs.**
- A copy of the Comprehensive Education Plan for the Qualified Zone Academy that is prepared by the local school board in conjunction with the business partner that addresses: enhancing the academic curriculum, increasing the graduation and employment rates and better preparing students for the rigors of college and the workforce.

The Department will review these two documents and notify the local school superintendent as to whether or not the QZAB Application meets Final Approval. The Department will provide a written explanation to the local school superintendent in the event a QZAB Application is not approved.

QZAB APPLICATION

School District _____ District No. _____

Qualified Zone Academy _____
(Eligible School)

(Address)

Amount of QZAB Requested \$ _____
(\$250,000 Minimum - \$2,500,000 Maximum)

The named Qualified Zone Academy meets the following criteria (check one):

- Located in an Empowerment Zone
- Located in an Enterprise Community
- Has or expects to have at least 35% of students eligible for free or reduce lunch under the National School Lunch Act

By signature below, I certify and agree to the following:

- The students in the Qualified Zone Academy will be subject to the same academic standards and assessments as other students in the school district.
- A written Pledge Agreement will be established between the local school board and one or more businesses under which the business(es) pledge contributions having a present value of at least 10% of the anticipated gross proceeds of the QZABs. Upon notification of Preliminary Approval by the Department, a copy of the written agreement will be furnished to the Department within 180 working days.
- The local school board will approve a Comprehensive Education Plan for the Qualified Zone Academy that is prepared in conjunction with the business partner that addresses: enhancing the academic curriculum, increasing the graduation and employment rates and better preparing students for the rigors of college and the workforce. Upon notification of Preliminary Approval by the Department, a copy of the comprehensive education plan will be furnished to the Department within 180 working days.
- This QZAB Application has been approved by the local school board and is so noted in the official minutes of the board.

Superintendent: _____
(Printed)

(Signed)

Date: _____