



# QZAB Matters

Volume 2, No. 3 NEF/CyberLearning © January 2009 QZAB State Director  
and Superintendent Newsletter



President Obama signed a \$787 billion economic stimulus the Stimulus bill on February 17<sup>th</sup> 2009 “We’re putting Americans to work doing the work that America needs done in critical areas that have been neglected for too long ... work that will begin real and lasting change for generations to come,” he said

## Stimulus Package Triples QZAB Authorization

### *News Updates*

#### **1) Extension of Qualified Zone Academy Bonds Authority**

The Bill extends and expands the Qualified Zone Academy Bond Program. The Bill authorizes an additional allocation of \$2.8 billion – \$1.4 billion for 2009 and \$1.4 billion for 2010 – for Qualified Zone Academy Bonds to the \$800 million already passed for 2008 and 2009.

#### **2) New School Qualified School Construction Bond**

The Bill creates a new category of tax-credit bonds for the construction, rehabilitation, or repair of public school facilities or for the acquisition of land on which a public school facility will be constructed. The Bill contains a national limitation capping the amount of qualified school construction bonds that may be issued. The national limitation amount will be split between the states, which will receive 60 percent, and large local school districts, which will receive the remaining 40 percent. The allocation to the states will be divided according to each state’s proportionate number of school-aged children. The allocation to the large local school districts will be divided in proportion to respective amounts each district receives as basic grants under the Elementary and Secondary Education Act. The Bill also provides an additional \$200 million of annual authority for 2009 and 2010 that is allocated to Indian tribal schools by the Secretary of the Interior.

Qualified school construction bonds will provide the bondholders/investors with a tax credit in lieu of their receiving interest, resulting in an interest-free or very low-interest loan to the state or local government issuing the obligation. **Qualified school construction bonds are subject to certain arbitrage restrictions, however, available construction proceeds invested during the three-year temporary period are not subject to yield restrictions or to arbitrage rebate, and certain amounts deposited to a "reserve fund" may be invested at a yield that exceeds the yield of such bonds and would not be subject to rebate.**

**3) State Fiscal Stabilization Fund.** Title XIV of the bill provides \$53.6 billion for education by means of a "State Fiscal Stabilization Fund." Money is allocated to the states on the basis of their total population and number of school age children.

The states receive a total of about \$39.5 billion "for the support of elementary, secondary, and postsecondary education, and, as applicable, early childhood education programs and services." Funds are apportioned to local school districts according to their state's "primary elementary and secondary funding formulae" and to public institutions of higher learning in the amounts "needed to restore State support for such institutions." School districts may use the funds they receive for "any activity authorized by the Elementary and Secondary Education Act of 1965, the Individuals with Disabilities Education Act, the Adult and Family Literacy Act, and the Carl D. Perkins Career and Technical Education Act, or for modernization, renovation, and repairs of public school facilities (including charter schools), which may include modernization, renovation, and repairs consistent with a recognized green building rating system."

The states also receive a total of about \$8.8 billion "for public safety and other government services, **which may include assistance for elementary and secondary education, and for modernization, renovation, or repair of public school facilities and institutions of higher education facilities, including modernization, renovation, and repairs that are consistent with a recognized green building rating system.**" The states appear to have **complete discretion in distributing this money, making anything possible in terms of how it is spent.**

**Note that the bill allocates *no* money specifically for school modernization, and, while eligible for funding, modernization projects may prove to be a low priority compared to other critical state and district educational needs.**

**NB If the states do not "award as subgrants or otherwise commit within two years of receiving such funds" will be reallocated by the Secretary of Education.**

See pages 425-445 of the bill's text at  
[http://appropriations.house.gov/pdf/Recovery\\_Bill\\_Div\\_A.pdf](http://appropriations.house.gov/pdf/Recovery_Bill_Div_A.pdf)



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