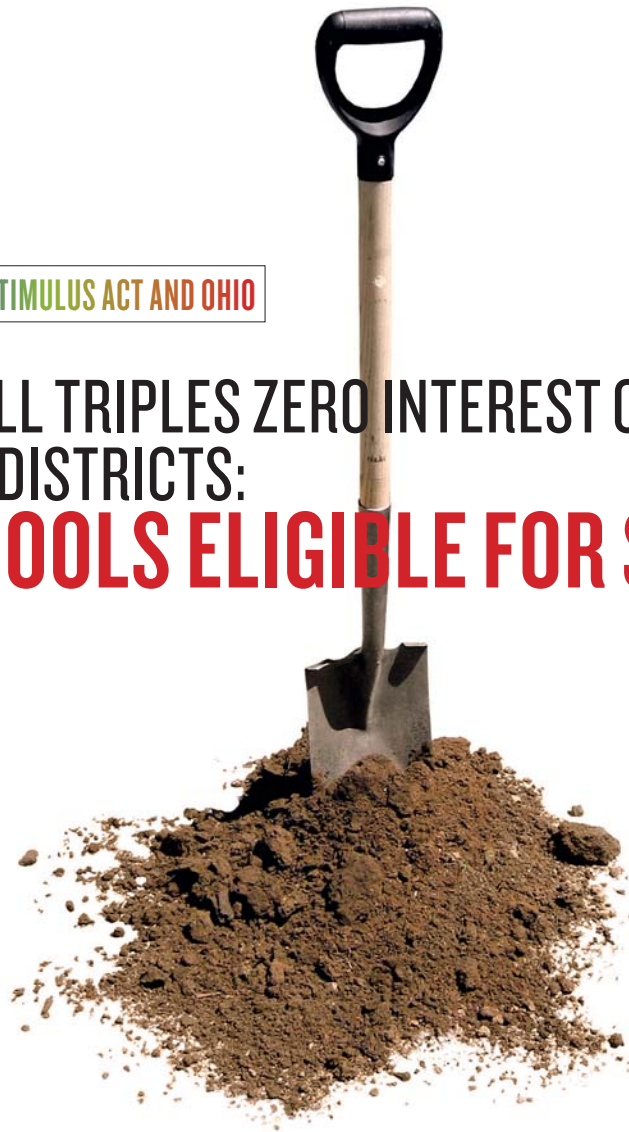


STIMULUS BILL TRIPLES ZERO INTEREST QZAB FUNDS FOR SCHOOL DISTRICTS: OHIO SCHOOLS ELIGIBLE FOR \$128 MILLION



The recently passed American Recovery and Reinvestment Act (better known as the “stimulus bill”) more than tripled a little known non-interest bearing program known as the Qualified Zone Academy Bond (QZAB) from \$400 million a year to \$1.4 billion for 2009 and an equal amount for 2010. Why should this be important to school business officials?

The reason is that since 1998, the QZAB program has benefited many hundreds of school districts to cut their cost of borrowing almost in half for school modernization projects—from putting a new roof on a building to adding new energy-efficient HVAC systems. It should be said that only those school districts with 35% of students on free or reduced lunch are eligible to borrow funds from banks and other institutions, and pay the principal back in 15 years.

It is easy to see why the Obama administration and the Congress were eager to provide such a strong endorsement of the decade-long QZAB program. Not only would the program yield many thousand “shovel-ready” jobs for repairing what the Society of Engineers has estimated as \$300 billion dollars worth of deteriorating post war school infrastructure, it would also help students graduate with 21st century workforce skills.

Participating schools can achieve this goal through creating a mandatory Academy program whereby non profits and private entities contribute 10% to the value of the QZAB borrowed amount to set up an academic program that can meet graduation, college attendance and workforce needs.

Ohio will soon have \$128 million worth of QZAB allocation. This means that the state now has a tremendous opportunity to start funding some major renovation/IT/energy projects that could not be funded based on the roughly \$14 million Ohio has received every year since 1998.

The QZAB legislation has received bipartisan support every year since 1998. The legislation provides an unusually effective way to leverage Federal dollars—QZAB investors receive a direct tax credit in lieu of interest.

Not only would the program yield many thousand “shovel-ready” jobs for repairing what the Society of Engineers has estimated as \$300 billion dollars worth of deteriorating post war school infrastructure, it would also help students graduate with 21st century workforce skills.

To be eligible for a QZAB, a 10% match is required from a business or nonprofit partner. Such match can be in cash or in-kind donations. The match partner is required to work with the school district to set up a QZAB Academy that “prepares students for college or workforce with the goal of increasing student graduation rates, workforce skills, and college attendance.”

It would be hard for any school district to ignore the significant savings to be gained from zero percentage loans.

To help the Congress formulate their stimulus strategy, the National Education Foundation (NEF) gave key congressional committees information about our experience with the QZAB program. As the largest single match partner in the Nation, NEF was able to reassure the Congress that a massive increase in QZAB allocation was justified based upon our decade-long work with providing millions of dollars of matching contributions and setting up effective QZAB academies. We also informed the Congress that QZAB was helping to reach other national goals such as assist-

ing schools move from carbon-based energy to greener or more fuel efficient technologies.

Our recent survey of school superintendents showed that 27.8% of superintendents who were using QZAB funds, used them to purchase energy efficient equipment or invest in recyclable energy. A large number of superintendents (38.9%) believed a top benefit derived from the QZAB was the opportunity to work with an outside partner to help form the QZAB academy.

Ninety five point eight percent (95.8%) of the superintendents surveyed agreed that cost savings easily outweighed any negatives. It would be hard for any school district to ignore the significant savings to be gained from zero percentage loans. As one Ohio School District business manager told me recently, by borrowing \$5 million dollars at zero interest, he would only be paying back about \$2.5 million in principal over 15 years in present value terms.

Also on the plus side, the paperwork really turns out to be minimal—most states have made it easy for school districts to simply state what they intend to use the QZAB proceeds for, the nature of the match and the way they will measure student

progress in the Academy. In many states, once you have approval from your board, you can receive the QZAB allocation from the state and be ready to receive QZAB funds within a couple of months.



For information and assistance with any aspect of QZAB, visit www.qzab.org or contact the advisors with whom you work.

DR. LAURENCE PETERS
*Education VP and
QZAB Program Director
National Education Foundation*

Dr. Peters served as the U.S. Department of Education's First QZAB Director and now serves as the Nonprofit National Education Foundation's Education VP and QZAB Program Director.

It's not only
about buildings,
it's what
they do for
people



**LEGAT
& Kingscott**
Architects • Engineers • Interior Designers • Planners

88 E. Broad Street, Suite 1200

Columbus, OH 43215

888-454-5437

www.legatkingcott.com