



State of Rhode Island and Providence Plantations  
**DEPARTMENT OF EDUCATION**  
Shepard Building  
255 Westminster Street  
Providence, Rhode Island 02903-3400

Peter McWalters  
Commissioner

April 3, 2007

**TO:** Superintendents of Schools

**FROM:** Peter McWalters, Commissioner

**SUBJECT:** Qualified Zone Academy Bonds: FY 2006 and FY 2007 Allocations

The federal Taxpayers Relief Act of 1997 has a provision that allows certain schools the opportunity to obtain interest free bonds for improvements to their buildings and curriculum. This program is called Qualified Zone Academy Bonds (QZABs). Under this program, the federal government provides bondholders with a tax credit in lieu of a cash interest payment. The school district is then, in general, only responsible for repaying the amount borrowed. Only schools or districts that are located in what the federal government calls an Empowerment Zone or Enterprise Community or schools in which at least 35% of the students qualify for free and reduced lunches are eligible for the bonds. In Rhode Island, only Providence qualifies as an Enterprise Community. In addition, 16 districts and 6 charter schools (see Attachment 1) have schools that meet the 35% free and reduced school lunch criterion.

To qualify for QZABs, eligible districts must enter into a public-private partnership, which means the district must have written commitment from the private entity that it will make a qualified contribution to the school in an amount not less than 10% of the capital provided under this act. The entire appropriation available for Rhode Island in FY 2006 and FY 2007 is \$2,608,000. If a single school benefited from the entire appropriation, that school would need written commitments from private entities for 10% of the entire amount, or \$260,800. There are also programmatic requirements, such as the school-business partnership must supplement and not supplant the requirements applicable to other schools in the system. The proceeds from the bonds may support rehabilitating or repairing schools, providing equipment, developing course materials, and training teachers but not new construction.

If and when a qualified school meets the test of the public-private partnership and issues bonds in support of the work, the financial institutions involved apply for and receive federal income tax credits in an amount equal to the interest that would be paid under a normal bond. In this way, schools can use interest free money to benefit from the close school/business partnership that this act seeks to encourage.

Any district interested in receiving a portion of Rhode Island's QZAB allocation must complete the enclosed application and submit it by July 1, 2007. Refer to the attached documentation for further information. Please call Kristen Cole at (401) 222-4681 with any questions.

**Telephone** (401) 222-4600    **Fax** (401) 222-6178    **TTY** 800-745-5555    **Voice** 800-745-6575

The Board of Regents does not discriminate on the basis of age, color, sex, sexual orientation, race, religion, national origin, or disability

# Qualified Zone Academy Bond Program, FY 2006/FY2007

## Application Instructions

### Background

Federal tax legislation enacted in 1997 (Section 226 of H.R. 2014 The Taxpayer Relief Act of 1997, Section 1397E of the Internal Revenue Code) created a new financial instruction, the Qualified Zone Academy Bond (QZAB), to help schools raise funds to:

- Renovate and repair buildings
- Invest in equipment and up-to-date technology
- Develop challenging curricula
- Train quality teachers

QZABs also encourage schools and businesses to cooperate in innovative ways that expand students' learning opportunities and help schools prepare students with the necessary skills employers need to compete in the global economy. Proceeds of the bonds may not be used for new construction. This is a tax credit program, not a grant program.

For calendar years 2006 and 2007, the maximum face amount of bonds that may be issued for Rhode Island is a total of \$2,608,000 (\$1,304,000 per year).

### Application:

#### Identification, Contact Information

This page declares the Local Education Agency's (LEA's) intent to participate in the FY 2006/FY 2007 Qualified Zone Academy Bond Program.

**District/School Name:** In the spaces provided, please provide the name of the applicant school district and the name of the site/school where the academy is located.

**Contact person, title, address, telephone, fax number, and email address:** Please provide information about the person who is to be contacted for any questions related to this application. Please enter the telephone extension, if applicable.

#### Certification of Eligibility

Read each of the certifications in this section. In order to be eligible for this program, the LEA's superintendent or designee must certify that the school district has satisfied Criterion 1a or 1b and Criterion 2 through 4.

Note that whereas the federal law provides for four indicated uses of bond proceeds, i.e., the facility, equipment, instructional materials, and professional development, districts should consult their bond counsel and financial advisers to determine the appropriate use of proceeds under Rhode Island law. (Please note: A written description of the proposed program or academy and spending plan must be appended to the application.)

## **Bond Authorization Requested**

Indicate the amount of bond authorization requested. The amount requested is not to exceed \$2.608 million per district.

## **Certification of Eligibility**

The LEA's superintendent or designee as authorized by the local governing board must sign this page in order to certify that the information contained in the application is true and correct and that all applicable state and federal rules and regulations will be observed.

## **Technical Assistance**

For help in completing this application, please contact Kristen Cole at 222-4681.

## **Submission Information**

Please submit one signed original application and one copy for each project. Facsimiles will not be accepted. Applications must be received by July 1, 2007.

### **Mail to:**

Ms. Kristen Cole  
RI Department of Education  
Shepard Building  
255 Westminster Street, 6<sup>th</sup> Floor  
Providence, Rhode Island 02903

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Additional information on the QZAB program may be obtained from:

U.S. Department of Education  
<http://www.ed.gov>  
<http://www.ed.gov/programs/qualifiedzone/index.html>

National Clearinghouse for Educational Facilities  
<http://www.edfacilities.org/>

FY 2006/FY 2007 Qualified Zone Academy Bonds Program Application

Rhode Island Department of Education

<b>Purpose:</b> School District Application for the FY 2006/FY 2007 Qualified Zone Academy Bonds Program (QZAB)	<b>District:</b> _____ <b>Site/School:</b> _____ <b>Submission date:</b> <input type="checkbox"/> Original ____/____/____ <input type="checkbox"/> Revision ____/____/____
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<b>Contact Person:</b> _____ <b>Title:</b> _____ <b>Address:</b> _____ <b>City:</b> _____ <b>County:</b> _____ <b>Zip:</b> _____	<b>Applications must be received by July 1, 2007. Please submit one original and one copy.</b> <b>Ms. Kristen Cole</b> <b>QZAB Application</b> <b>RI Dept. of Education</b> <b>Shepard Building</b> <b>255 Westminster Street</b> <b>Providence, Rhode Island</b> <b>02903</b> <hr/> <b>Telephone:</b> _____ <b>ext:</b> _____ <b>Fax:</b> _____ <b>Email:</b> _____
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**Certification of Eligibility**

**Criterion 1: Qualified by virtue of location or composition of student body:**

**a) Location**  
The school district is located in an Enterprise Community (Providence).

**OR**

**b) Composition of Student Body**  
There is a reasonable expectation as of the date of issuance of the bonds that at least 35% of the students attending the school or participating in the program will be eligible for free or reduced-cost lunches established under the National School Lunch Act.

**Criterion 2: Qualified by virtue of private business contribution:**

The eligible local education agency (LEA) has written commitments from private entity (ies) to make qualified contributions having a present value as of the date of the issuance of not less than ten percent of the proceeds of the bond issue, including such items as:

- Equipment for use in the program
- Technical assistance in developing curriculum or training teachers to promote market driven technology in the classroom
- Internships, field trips, or other educational opportunities outside the program for students
- Any other property or service specified by the local education agency that meets IRS requirements and the value of the ten percent match is below the fair market value offered by any entity providing similar products or services.

Written verification from private entity (ies) is attached to the application

**FY 2006/FY 2007 Qualified Zone Academy Bonds Program Application**

**Rhode Island Department of Education**

**Purpose:** School District Office Application for the FY 2006/FY2007 Qualified Zone Academy Bonds Program (QZAB)

**District:** \_\_\_\_\_

**Site/School:** \_\_\_\_\_

**Submission date:**  **Original** \_\_\_\_/\_\_\_\_/\_\_\_\_

**Revision** \_\_\_\_/\_\_\_\_/\_\_\_\_

**Criterion 3: Qualified by virtue of characteristics of the program:**

The public school or academic program within a public school is established by and operated under the supervision of an eligible local education agency to provide education or training below the postsecondary level, and

Such school or program is designed in cooperation with business to enhance the academic curriculum, increase graduation and employment rates, and better prepare students for the rigors of college and the increasingly complex workforce, and

Students in the academy are subject to the same academic standards and assessments as other students educated by the local school system, and

The comprehensive education plan of the school or program is approved by the local education agency.

Written description of program or academy is attached to the application.

**Criterion 4: Qualified by virtue of use of bond proceeds**

For the purposes of the application the proceeds of QZABs can be used for:

- Rehabilitating or repairing the public school facility in which the academy is established,
- Providing equipment for use at such academy,
- Providing instructional materials, and/or
- Providing teacher professional development

Written spending plan is attached to the application. The plan must include commitments to spend ten percent of the funds within six months and 95 percent of the funds within five years of the issue of the QZAB bonds.

**Amount of Bond Authorization Requested (\$2.608M limit)**

\$ \_\_\_\_\_

**Certification of Eligibility**

*I certify under penalty of perjury that to the best of my knowledge, the information in this application is true and correct and is in compliance with statutes and administrative provisions of the Rhode Island Department of Education. The governing board of the above named school district has authorized me to sign this application on its behalf, and has certified through a resolution that the district has met the criteria contained in this application.*

\_\_\_\_\_  
Signature of Superintendent

\_\_\_\_\_  
Date

# **ATTACHMENT ONE**

## **FY 2006/FY 2007 QZAB Cycle: Eligible Schools**

Please note that the attached data are from FY 2006 because FY 2007 data are not yet available. The FY 2007 data should be available by June 2007, and should not change significantly from data provided in this package. Districts considering applying for the FY 2006/FY 2007 QZAB allocation can also check with school staff to see if the school expects to meet the 35% free and reduced school lunch criterion.