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

Deborah A. Gist
Commissioner

May 11, 2011

**TO:** Superintendents and Business Managers of Schools

**FROM:** Carolyn Dias, Chief of Fiscal Integrity and Efficiencies

**SUBJECT:** ***Qualified Zone Academy Bonds: FY 2011 Allocation***

The federal Taxpayers Relief Act of 1997 allows certain schools the opportunity to obtain interest free bonds for improvements to their buildings and curriculum, called Qualified Zone Academy Bonds (QZABs). In addition, the American Recovery and Reinvestment Act (ARRA) of 2009 recently expanded the bonding authority allowed for QZAB.

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, 9 districts and 13 charter schools (see Appendix 1) have schools that meet the 35% free and reduced school lunch criterion.

Rhode Island has been **allocated $1,093,000 of QZAB issuance authority for calendar year 2011** (issue by 12/31/2013). 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. If a single school benefited from the entire appropriation, that school would need written commitments from private entities, such as local businesses or community organizations, for "qualified contributions," (equipment, technical assistance, or volunteer services) with a present value of not less than 10% of the entire amount, or $109,300.

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. Districts with career and technical centers or programs should consider opportunities to enhance these programs using this bond program.

The department's role is to provide QZAB bond issuance authorizations to districts based on assurance that they meet federal and state criteria for the programs. It is the requesting district's responsibility to determine that it meets QZAB participation requirements as well as state statutory requirements for debt issuance. Please remember, to qualify for school housing aid reimbursement on the project cost, the project must be approved by the Board of Regents. In addition, because these bonds will not have associated interest, districts are not required to bond through the RI Health and Educational Building Corporation (RIHEBC). However, districts should consider if RIHEBC could issue these bonds at a lower cost. We would also like to remind you that all bonds issued in support of school housing projects shall require an enabling act by the General Assembly (RIGL 16-7-44). **Because the 2011 allocation must**

**be issued by December 31, 2013, districts must obtain the required General Assembly approval during the 2011 or 2012 legislative session.**

Any district interested in receiving a portion of Rhode Island's QZAB allocation must complete the enclosed application and submit it by June 8, 2011. Refer to the attached documentation for further information. Please call Mario Carreno at (401) 222-8030 with any questions.

## Qualified Zone Academy Bond Program, FY 2011

## 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 year 2011, the maximum face amount of bonds that may be issued for Rhode Island is a total of $1,093,000.

### Application:

### Identification, Contact Information

This page declares the Local Education Agency's (LEA's) intent to participate in the FY 2011 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 $1.093 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 Mario Carreno at 222-8030.

**Submission Information**

Please submit one signed original application and one copy for each project. Facsimiles will not be accepted. Applications must be received by June 8, 2011.

**Mail to**:
Mario Carreno
RI Department of Education
Shepard Building
255 Westminster Street, 6th Floor
Providence, Rhode Island 02903

* * *

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.ncef.org/index.cfm

# FY 2011 Qualified Zone Academy Bond Program Application

## Rhode Island Department of Education
## Project Proposal Due June 8, 2011

| | |
|---|---|
| ***Purpose***: School District Application for the FY 2011 Qualified Zone Academy Bonds Program (QZAB) | **District:**_____<br>**Site/School:**_____<br>**Submission date:** ☐ **Original** __/__/__<br>☐ **Revision** __/__/__ |
| **Contact Person:**_____<br>**Title:**_____<br>**Address:**_____<br>**City:**_____<br>**County:**_____ **Zip:**_____ | **Applications must be received by June 8, 2011. Please submit one original and one copy.**<br>**Mario Carreno**<br>**QZAB Application**<br>**RI Dept. of Education**<br>**Shepard Building**<br>**255 Westminster Street**<br>**Providence, Rhode Island 02903**<br>**Telephone:**_____ **ext:**_____<br>**Fax:**_____<br>**Email:**_____ |

## 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 2011 Qualified Zone Academy Bond Program Application**

**Rhode Island Department of Education**
**Project Proposal Due June 8, 2011**

| | |
|---|---|
| ***Purpose***: School District Application for the FY 2011 Qualified Zone Academy Bonds Program (QZAB) | **District:**_____<br>**Site/School:**_____<br>**Submission date:** ☐ **Original** __/__/__<br>☐ **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 90 percent of the funds within three years of the issue of the QZAB bonds.

## Amount of Bond Authorization Requested ($1.093 M 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

Appendix 1

Eligible LEAs in Bold

| 6/30/10 DATA (FINAL 10/18/10) | | | |
|---|---|---|---|
| LEAs | 6/30/10 RADM | 6/30/10 FRPL RADM | PCT FRPL 6/30/10 |
| **Districts:** | | | |
| BARRINGTON | 3,339 | 141 | 4% |
| BURRILLVILLE | 2,503 | 782 | 31% |
| CHARLESTOWN | 960 | 208 | 22% |
| COVENTRY | 5,147 | 1,205 | 23% |
| CRANSTON | 10,092 | 3,478 | 34% |
| CUMBERLAND | 4,742 | 954 | 20% |
| E GREENWICH | 2,306 | 166 | 7% |
| **E PROVIDENCE** | **5,637** | **2,448** | **43%** |
| FOSTER | 242 | 38 | 16% |
| GLOCESTER | 547 | 115 | 21% |
| HOPKINTON | 1,252 | 290 | 23% |
| JAMESTOWN | 693 | 35 | 5% |
| **JOHNSTON** | **3,059** | **1,182** | **39%** |
| LINCOLN | 3,227 | 784 | 24% |
| LT COMPTON | 425 | 61 | 14% |
| MIDDLETOWN | 2,532 | 733 | 29% |
| NARRAGANSETT | 1,452 | 220 | 15% |
| **NEWPORT** | **2,065** | **1,224** | **59%** |
| NEW SHOREHAM | 124 | 16 | 13% |
| N KINGSTOWN | 4,092 | 776 | 19% |
| **N PROVIDENCE** | **3,212** | **1,185** | **37%** |
| N SMITHFIELD | 1,819 | 256 | 14% |
| **PAWTUCKET** | **8,719** | **6,663** | **76%** |
| PORTSMOUTH | 2,645 | 319 | 12% |
| **PROVIDENCE** | **22,868** | **19,845** | **87%** |
| RICHMOND | 1,156 | 208 | 18% |
| SCITUATE | 1,620 | 210 | 13% |
| SMITHFIELD | 2,416 | 317 | 13% |
| S KINGSTOWN | 3,504 | 585 | 17% |
| TIVERTON | 1,902 | 426 | 22% |
| WARWICK | 10,087 | 3,050 | 30% |
| WESTERLY | 3,124 | 997 | 32% |
| **W WARWICK** | **3,512** | **1,648** | **47%** |
| **WOONSOCKET** | **5,948** | **4,262** | **72%** |
| BRISTOL WARREN | 3,453 | 1,149 | 33% |
| EX-W. GREEN | 1,869 | 266 | 14% |
| FOS-GLOC | 1,354 | 197 | 15% |
| **CENTRAL FALLS** | **2,648** | **1,947** | **74%** |
| District Total | 136,292 | 58,386 | 43% |
| **Charter Schools:** | | | |
| **BEACON** | **222** | **110** | **50%** |
| **BLACKSTONE** | **154** | **126** | **82%** |
| COMPASS | 153 | 12 | 8% |
| **DEMOCRACY PREP** | **76** | **47** | **62%** |
| **HIGHLANDER** | **282** | **220** | **78%** |
| **INTERNATIONAL** | **303** | **180** | **59%** |
| KINGSTON HILL | 179 | 41 | 23% |
| **LEARNING COMM** | **400** | **349** | **87%** |
| **NEW ENG LABORERS** | **237** | **91** | **38%** |
| **PAUL CUFFEE** | **481** | **365** | **76%** |
| **SEGUE INSTITUTE** | **59** | **51** | **86%** |
| **TEXTRON** | **214** | **180** | **84%** |
| **TIMES$^2$ ACADEMY** | **644** | **503** | **78%** |
| Charter School Total | 3,404 | 2,275 | 67% |
| **State Schools (excluding Deaf):** | | | |
| **DAVIES C&T** | **794** | **491** | **62%** |
| **MET CENTER** | **629** | **377** | **60%** |
| State School Total | 1,423 | 868 | 61% |

Part III - Administrative, Procedural, and Miscellaneous

Qualified Zone Academy Bond Allocations for 2011

Rev. Proc. 2011-19

## SECTION 1. PURPOSE

This revenue procedure sets forth the maximum face amount of Qualified Zone Academy Bonds ("QZABs") that may be issued for each State for the calendar year 2011 under § 54E(c)(2) of the Internal Revenue Code. Under § 54A(e)(3), the term State includes the District of Columbia and any possession of the United States.

## SECTION 2. BACKGROUND

### .01 INTRODUCTION

Section 313 of the Tax Extenders and Alternative Minimum Tax Relief Act of 2008, Div. C of Pub. L. No. 110-343, 122 Stat. 3765 (2008) ("Act") added new § 54E, which provides revised program provisions for QZABs in lieu of the existing provisions under §1397E, effective for obligations issued after October 3, 2008. The Act amended § 54A(d)(1) to provide that the term qualified tax credit bond ("QTCB") means, in part, a

qualified zone academy bond which is part of an issue that meets the requirements of §§ 54A(d)(2), (3), (4), (5), and (6) regarding expenditures of bond proceeds, information reporting, arbitrage, maturity limitations, and prohibitions against financial conflicts of interest. The Act also amended § 54A(d)(2)(C) to provide that, for purposes of § 54A(d)(2), the term "qualified purpose" for a QZAB means a purpose specified in § 54E(a)(1), described below.

The Act added § 54E(c)(1) to provide a national zone academy bond limitation authorization for QZABs of $400 million for each of calendar years 2008 and 2009. Section 1522 of Title I of Division B of the American Recovery and Reinvestment Act of 2009, Pub. L. No. 111-5, 123 Stat. 115 (2009) ("2009 Act") amended § 54E(c)(1) to provide an increased national zone academy bond limitation authorization for QZABs of $1.4 billion for each of calendar years 2009 and 2010. Section 758 of the Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010, Public L. No. 111-312, 124 Stat. 3296 (2010) ("2010 Act") further amended § 54E(c)(1) to provide an authorization for QZABs of $400 million for calendar year 2011.

.02 QUALIFIED ZONE ACADEMY BOND UNDER § 54E

Section 54E(d) defines "qualified zone academy" as any public school (or academic program within a public school) which is established by and operated under the supervision of an eligible local education agency to provide education or training below the postsecondary level provided: (A) the public school or program is designed in cooperation with business to enhance the academic curriculum, increase graduation and employment rates and prepare students for college and the workforce; (B) students

will be subject to the same academic standards and assessments as other students educated by the eligible local education agency; (C) the comprehensive education plan is approved by the eligible local education agency; and (D)(i) such public school is located in an empowerment zone or enterprise community including such designated after October 3, 2008; or (ii) there is a reasonable expectation (as of the date of bond issuance) that at least 35 percent of the students will be eligible for free or reduced cost lunches under the school lunch program established under the National School Lunch Act.

Section 54E(a) provides that a "qualified zone academy bond" or QZAB means any bond issued as part of an issue if: (1) 100 percent of the available project proceeds of such issue are to be used for a qualified purpose with respect to a qualified zone academy established by an eligible local education agency; (2) the bond is issued by a State or local government within the jurisdiction of which such academy is located, and (3) the issuer: (A) designates such bond for purposes of this section; (B) certifies that it has written assurances that the private business contribution requirement of § 54E(b) will be met; and, (C) certifies that it has the written approval of the eligible local education agency for such bond issuance.

Section 54E(d)(3) provides that a qualified purpose with respect to each academy means: (A) rehabilitating or repairing the public school facility; (B) providing equipment; (C) developing course materials; and, (D) training teachers and other school personnel. The private business contribution requirement of § 54E(b) is met if the eligible local education agency that established the qualified zone academy has written

commitments from private entities to make qualified contributions having a present value (as of the date of issuance of the issue) of not less than 10 percent of the proceeds of the issue. Section 54E(d)(4) defines "qualified contributions" as any contribution (of a type and quality acceptable to the eligible local education agency) of: (A) equipment for use in the qualified zone academy (including state-of-the-art technology and vocational equipment); (B) technical assistance in developing curriculum or in training teachers to promote appropriate market driven technology in the classroom; (C) employees' services as volunteer mentors; (D) internships, field trips, or other educational opportunities outside the academy; or (E) any other property or service specified by the eligible education agency. Section 54E(d)(2) defines "eligible local education agency" as any local educational agency as defined in § 9101 of the Elementary and Secondary Education Act of 1965.

Section 54E(c)(2) provides that the Department of the Treasury shall allocate the national zone academy bond limitation among the States on the basis of their respective populations of individuals below the poverty line (as defined by the Office of Management and Budget). The limitation amount allocated to a State under the preceding sentence shall be allocated by the State education agency to qualified zone academies within such State.

Under § 54E(c)(3), the maximum aggregate face amount of bonds issued during any calendar year which may be designated as QZABs with respect to any qualified zone academy shall not exceed the limitation amount allocated to such academy for such calendar year. However, under § 54E(c)(4)(A), if for any calendar year the

limitation amount for any State exceeds the amount of bonds issued during such year which are designated QZABs with respect to qualified zone academies within such State, the limitation amount for such State for the following calendar year shall be increased by the amount of such excess. Under § 54E(c)(4)(B), however, any carryforward of a limitation amount may be carried only to the first 2 years following the unused limitation year. For these purposes, the limitation amount shall be treated as used on a first-in first-out basis.

Sections 1.1397-1 (the "Final Regulations") and 1.1397-1T (the "Temporary Regulations") set forth regulations that were issued under § 1397E. For other guidance concerning the applicability of the regulations issued under § 1397E, the credit rate, and the sinking fund yield see Notice 2009-15, 2009-6 I.R.B. 449, Notice 2009-30, 2009-16 I.R.B. 852, and Notice 2010-22, 2010-10 I.R.B. 435.

**SECTION 3. NATIONAL ZONE ACADEMY BOND LIMITATION FOR 2011**

The national limitation for QZABs issued under § 54E for calendar year 2011 is $400 million. This amount is allocated among the States as follows:

Qualified Zone Academy Bond Allocations by State or Territory, 2011

| State or Territory | QZAB Allocation (in dollars) |
|---|---|
| Alabama | $7,194,000 |
| Alaska | $553,000 |
| Arizona | $9,521,000 |
| Arkansas | $4,637,000 |
| California | $45,855,000 |
| Colorado | $5,527,000 |
| Connecticut | $2,841,000 |
| Delaware | $861,000 |
| DC | $898,000 |
| Florida | $24,235,000 |

| | |
|---|---|
| Georgia | $14,161,000 |
| Hawaii | $1,178,000 |
| Idaho | $1,943,000 |
| Illinois | $14,932,000 |
| Indiana | $8,001,000 |
| Iowa | $3,058,000 |
| Kansas | $3,213,000 |
| Kentucky | $6,896,000 |
| Louisiana | $6,870,000 |
| Maine | $1,443,000 |
| Maryland | $4,549,000 |
| Massachusetts | $5,883,000 |
| Michigan | $13,987,000 |
| Minnesota | $4,986,000 |
| Mississippi | $5,543,000 |
| Missouri | $7,597,000 |
| Montana | $1,271,000 |
| Nebraska | $1,897,000 |
| Nevada | $2,892,000 |
| New Hampshire | $990,000 |
| New Jersey | $7,132,000 |
| New Mexico | $3,208,000 |
| New York | $24,194,000 |
| North Carolina | $13,178,000 |
| North Dakota | $651,000 |
| Ohio | $15,181,000 |
| Oklahoma | $5,143,000 |
| Oregon | $4,796,000 |
| Pennsylvania | $13,556,000 |
| Rhode Island | $1,093,000 |
| South Carolina | $6,730,000 |
| South Dakota | $990,000 |
| Tennessee | $9,431,000 |
| Texas | $37,014,000 |
| Utah | $2,872,000 |
| Vermont | $618,000 |
| Virginia | $7,197,000 |
| Washington | $7,176,000 |
| West Virginia | $2,824,000 |
| Wisconsin | $6,102,000 |
| Wyoming | $482,000 |
| American Samoa | $358,000 |
| Guam | $366,000 |

| | |
|---|---|
| Northern Mariana Islands | $212,000 |
| Puerto Rico | $15,765,000 |
| Virgin Islands | $319,000 |
| Total Allocation | $400,000,000 |

**SECTION 4. EFFECTIVE DATE OF NATIONAL ZONE ACADEMY BOND LIMITATIONS**

The national limitation allocated in section 3 is effective for QZABs issued on or after January 1, 2011.

**SECTION 5. DRAFTING INFORMATION**

The principal authors of this revenue procedure are Timothy L. Jones and David E. White of the Office of Associate Chief Counsel (Financial Institutions and Products). For further information regarding this revenue procedure contact David E. White or Timothy L. Jones at (202) 622-3980 (not a toll-free call).