

QUALIFIED ZONE ACADEMY BONDS (QZABs)

Summary

QZABs allow the school board to borrow funds interest-free or at a reduced interest rate depending on market conditions. The term of the debt issue is currently 15 years but could change by the date of the debt issuance.

QZAB allocations for Alabama are \$26,621,000 for calendar year 2009 and \$24,649,000 for calendar year 2010. Alabama also has a 2011 calendar year allocation of \$7,194,000. The QZAB allocations available for Alabama schools for these three years total \$58,464,000. These allocations are in addition to the \$72.458 million previously made available for Alabama schools for the years 1998 through 2007.

Funds borrowed under this program may not be used for construction of new buildings but may be used for the following qualified purposes:

- *Rehabilitating, renovating, or repairing a school*
- *Providing equipment for a school*
- *Developing course materials for education to be provided at the school*
- *Training teachers and other school personnel at the school.*

A qualified zone academy can be established in schools from kindergarten through twelfth grades. A qualified zone academy can be a school (or an academic program within a school) that meets the following requirements:

1. *The school or academic 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.*
2. *Students in the school or academic program will be subject to the same academic standards and assessments as other students in the school system.*
3. *The comprehensive education plan of the school or academic program is approved by the school board.*
4. *There is a reasonable expectation (as of the date of the debt issuance) that at least 35% of the students attending the school or participating in the academic program will be eligible for free or reduced-cost lunches. (Schools in empowerment zones or enterprise communities also qualify.)*

In order to participate in the loan program the qualified zone academy must have written commitments from private entities to make qualified contributions having a present value (as of the date of the debt issuance) of not less than 10% of the debt proceeds. Qualified contributions are:

- ❑ *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,*
- ❑ *Services of employees as volunteer mentors,*
- ❑ *Internships, field trips, or other educational opportunities outside the academy for students, or*
- ❑ *Any other property or service specified by the school board. (IRS regulations allow cash as a qualified contribution subject to certain restrictions.)*