



QUALIFIED ZONE ACADEMY BOND (QZAB) PROGRAM Guidelines

INTRODUCTION

The Qualified Zone Academy Bond (QZAB) Program was established under Section 226 of the Taxpayer Relief Act of 1997, and, as amended in 1999, appears in Section 1397E of the Internal Revenue Service Code. The American Recovery and Reinvestment Tax Act extended and expanded the QZAB program for 2008, 2009 and 2010. This federal program allows for certain schools, known as education zone academies, to finance the renovation of school facilities, purchase equipment, and, if allowed by state law, provide up-to-date technology and instructional materials on an interest-free, or nearly interest-free, basis through the allocation of federal subsidy payments.

For 2008, 2009 and 2010, the U.S. Department of the Treasury has allocated a total of \$112,391,000 (\$13,941,000 for 2008, \$48,793,000 for 2009, and \$49,657,000 for 2010) of QZAB authority to the Commonwealth of Pennsylvania. The Pennsylvania Department of Education is responsible for making allocations to local school districts. The Bureau of Budget and Fiscal Management, Division of School Facilities, is responsible for administering the program.

How do QZABs work?

Use of funds: 100 percent of the available project proceeds must be used for renovation, repair or rehabilitation of **existing** public school facilities or for equipment to be used at the academy. The renovation, repair and rehabilitation work must support the academic program (academy) being proposed. QZAB proceeds may also be used to provide up-to-date technology or instructional materials **but only if the intended use can be classified as a capital asset under the Local Government Unit Debt Act (LGUDA)**. Bond counsel should refer to the definition of a project under the LGUDA. Questions related to LGUDA should be directed to the Department of Community and Economic Development.

Private Contribution Requirement: The school district must enter into a partnership with a private entity or entities to design a program with the goal of enhancing the academic curriculum, increasing graduation and employment rates, and preparing students for college and the workforce.

The partner must make qualified contributions having a present value (as of the date of issuance of the bond issue) of not less than 10 percent of the proceeds of the bond issue. The donations may be comprised of cash, goods, services, internships, etc. Regular tax rules concerning donations apply (consult with bond counsel to ensure contributions meet federal regulations). School districts are encouraged to obtain cash to meet the 10 percent private contribution requirement.

APPLICATION REQUIREMENTS

Who can apply?

School districts submitting an application must meet the following federal criteria:

- Private business contribution: The school district must receive written commitments from private entities to make qualified contributions having a present value (as of the date of issuance of the bond issue) of not less than 10 percent of the proceeds of the bond issue.
- Education plan: The school district must use QZAB proceeds in support of a board-approved education plan with the goal of enhancing the academic curriculum, increasing graduation and employment rates, and preparing students for college and the workforce. Students in the academy program must be subject to the same standards and assessments as other students in the school district.
- Criteria for school building: As of the date of the issuance of the bonds, there is a reasonable expectation that at least 35 percent of the students attending the project school building will be eligible for free or reduced-cost lunches under the school lunch program established under the National School Lunch Act.

QZAB applications that were received by April 1, 2010, were given consideration for the first award of QZAB allocations. QZAB applications that are received by August 20, 2010, will be given consideration for the second award of QZAB allocations. QZAB applications that are received by October 20, 2010, will be given consideration for the third award of QZAB allocations. After the third award of QZAB allocations, a determination will be made if another solicitation of applications is necessary.

How will allocations be awarded?

Allocations will be awarded on a competitive basis.

A school district may apply for more than one project. In addition to completing the application, the school district must prepare a written monthly spending plan specifying how and when bond proceeds are to be used.

School building projects must address one or more of the following program objectives:

1. Creating sustainable schools (increasing energy efficiency, improving energy and water conservation, reducing greenhouse gas emissions, improving indoor

environmental quality, and reducing waste). For more ideas, visit www.greenschoolbuildings.org. School districts are encouraged, but not required, to apply for “green” certification (LEED for Schools silver or higher, two or more Green Globes, Energy Star building rating of 75 or more) in these projects; or

2. Creating or renovating space within an existing building’s footprint for high-quality pre-school, full-day kindergarten, and/or reducing class size in the early grades; or
3. Creating or renovating space within an existing building’s footprint for Science, Technology, Engineering, and Mathematics (STEM) programs; or
4. Correcting health and safety deficiencies, including school building security upgrades and building code violations.

If QZAB allocation requests received by the Pennsylvania Department of Education exceed PA’s total allocation (\$112,391,000), preference will be given to projects based on the following rating system:

1. Increasing energy efficiency, improving energy and water conservation, reducing greenhouse gas emissions, improving indoor environmental quality, and reducing waste – up to 30 points,
2. Creating or renovating space within an existing building’s footprint for high-quality pre-school, full-day kindergarten, and/or reducing class size in the early grades – up to 30 points,
3. Creating or renovating space within an existing building’s footprint for Science, Technology, Engineering, and Mathematics (STEM) programs – up to 20 points,
4. Addressing health and safety deficiencies, including school building security upgrades – up to 10 points,
5. Opening bids and starting construction by March 2011 – up to 10 points.

Allocation amounts will be based on the level of response to the program and how projects meet the goals and criteria set forth above. If there is significant demand, amounts allocated to individual school districts may be limited.

ISSUANCE OF BONDS

How will bonds be issued?

The 2008 QZABs must be issued by December 31, 2010; the 2009 QZABs must be issued by December 31, 2011; the 2010 QZABs must be issued by December 31, 2012. The State Public School Building Authority will issue the 2008, 2009 and 2010 QZABs to finance eligible projects on behalf of local school districts, and then lend the proceeds of the QZABs to the participating school districts.

Participating school districts must be willing to authorize a general obligation note with a

maturity structure consistent with the program requirements. Costs of issuance will be allocated pro rata to participants.

Internal Revenue Service Requirements

- A contract must be in place with a third party to spend down at least 10 percent of the bond proceeds within six months after issuance.
- 100 percent of the proceeds must be spent within 3 years of the bond issuance.
- QZAB proceeds are subject to arbitrage rules.
- Issuers are subject to IRS reporting requirements.
- The maximum maturity and the credit rate for QZABs are determined as of the date that there is a binding, written contract for the sale or exchange of the bond. The applicable maximum maturity, the discount rate for determining the maturity, and QZAB credit rate are published for that date by the Bureau of Public Debt on its internet site for State and Local Government Series securities at:
<https://www.treasurydirect.gov>.

SOURCES FOR ADDITIONAL INFORMATION

Participating school districts should read and thoroughly understand the following documents:

- Title 26, Internal Revenue Service Code, Section 1397E, and
- U.S. Department of Treasury document, 26 CFR Part 1 [TD 8903] RIN 1545-AY01, published in the September 26, 2000 Federal Register,
<http://www.irs.treas.gov/pub/irs-reg/td8903.pdf>.

Additional information is available from the U.S. Department of Education's Web site at www.ed.gov.

Contacts

Internal Revenue Service	(202) 622-3980
Office of Division Counsel/ Associate Chief Counsel	
Tax Exempt & Government Entities	

U.S. Department of Education	(202) 401-0907
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Pennsylvania Department of Education	(717) 787-5480
Bureau of Budget and Fiscal Management	ra-schoolfacilities@state.pa.us
Division of School Facilities	
4 th Floor, 333 Market Street	
Harrisburg, PA 17126-0333	

QUALIFIED ZONE ACADEMY BOND PROGRAM
(Greater than or Equal to 35% Free and Reduced Lunch)

AUN	School District	County	2009-10 Free and Reduced Lunch Percent
111317503	Southern Huntingdon County SD	Huntingdon	42.53%
117597003	Southern Tioga SD	Tioga	45.07%
107657503	Southmoreland SD	Westmoreland	44.75%
108077503	Spring Cove SD	Blair	37.08%
103028833	Steel Valley SD	Allegheny	56.69%
115228003	Steeltown-Highspire SD	Dauphin	70.41%
103028853	Sto-Rox SD	Allegheny	83.42%
119586503	Susquehanna Community SD	Susquehanna	53.95%
106617203	Titusville Area SD	Venango	50.69%
117086503	Towanda Area SD	Bradford	44.11%
117086653	Troy Area SD	Bradford	45.63%
118667503	Tunkhannock Area SD	Wyoming	44.66%
108568404	Turkeyfoot Valley Area SD	Somerset	49.37%
108058003	Tussey Mountain SD	Bedford	53.80%
108078003	Tyrone Area SD	Blair	42.58%
104377003	Union Area SD	Lawrence	40.36%
105259103	Union City Area SD	Erie	56.51%
106169003	Union SD	Clarion	46.04%
101268003	Uniontown Area SD	Fayette	53.27%
128328003	United SD	Indiana	43.85%
112018523	Upper Adams SD	Adams	40.61%
125239452	Upper Darby SD	Delaware	51.01%
106618603	Valley Grove SD	Venango	51.72%
119648303	Wallenpaupack Area SD	Pike	48.96%
105628302	Warren County SD	Warren	39.16%
101638803	Washington SD	Washington	63.02%
119648703	Wayne Highlands SD	Wayne	37.88%
112289003	Waynesboro Area SD	Franklin	35.09%
121139004	Weatherly Area SD	Carbon	41.37%
117598503	Wellsboro Area SD	Tioga	37.41%
110179003	West Branch Area SD	Clearfield	45.57%
101308503	West Greene SD	Greene	49.69%
103029603	West Mifflin Area SD	Allegheny	41.73%
127049303	Western Beaver County SD	Beaver	40.79%
119648903	Western Wayne SD	Wayne	43.61%
121397803	Whitehall-Coplay SD	Lehigh	35.89%
118408852	Wilkes-Barre Area SD	Luzerne	63.15%
103029803	Wilkesburg Borough SD	Allegheny	80.65%
125239652	William Penn SD	Delaware	62.89%
129548803	Williams Valley SD	Schuylkill	39.94%
108079004	Williamsburg Community SD	Blair	48.35%
117417202	Williamsport Area SD	Lycoming	61.89%
108569103	Windber Area SD	Somerset	39.88%
103029902	Woodland Hills SD	Allegheny	69.73%
117089003	Wyalusing Area SD	Bradford	41.52%
118409302	Wyoming Valley West SD	Luzerne	54.96%
112679002	York City SD	York	84.91%
107658903	Yough SD	Westmoreland	43.10%

QUALIFIED ZONE ACADEMY BOND PROGRAM APPLICATION (1 OF 2)

INSTRUCTIONS: One signed copy of this application must be submitted for each school building for which a QZAB allocation is being requested. Applications should be submitted to: PA Department of Education, Division of School Facilities, 4th Floor, 333 Market Street, Harrisburg, PA 17126-0333. Any questions regarding the completion of this form should be directed to the Division at (717) 787-5480 or at ra-schoolfacilities@state.pa.us.

School District Name: Warren County School District

Project Building/Site Name: Beaty Warren Middle School

Project Building/Site Address: 2 East Third Ave.; Warren, PA 16365

Contact Person and Title: Dr. Norbert Kennerknecht, Dir. of Buildings & Grounds

Telephone Number - Ext.: 814-723-6900, x.2174

FAX Number: 814-723-5238

Email Address of Contact Person: norbert.kennerknecht@wcsdpa.org

Grades Housed 6 - 8

Estimated Bid Opening Date: Aug. 2011
Month/Year

Estimated Construction Start Date: Sept. 2011
Month/Year

PROJECT DESCRIPTION

Briefly describe the work to be completed by this project. Complete renovation of 142,333 sq. ft. middle school facility originally constructed in 1929. Installation of new energy efficient lighting, energy efficient heating system. The renovations will correct health and safety deficiencies and include much needed building security updates, and bring the building into building code compliance while creating space for STEM programs. The improved indoor air quality is also a planned improvement: being more efficient reduces waste.

PROJECT COST AND QZAB REQUEST

- | | DOLLAR AMOUNT |
|--|------------------|
| <input checked="" type="checkbox"/> Renovate, repair or rehabilitate the public school facility in which the academy is established. | \$ 16,200,000.00 |
| <input checked="" type="checkbox"/> Provide equipment for use at the academy. | \$ 1,500,000.00 |
| <input type="checkbox"/> Provide up-to-date technology or instructional materials
<small>(only if intended use can be classified as a capital asset under the Local Government Unit Debt Act (LGUDA). Refer to the definition of a project under LGUDA or consult with the Department of Community and Economic Development.)</small> | \$ _____ |
| <input type="checkbox"/> Other (describe on attached sheets) | \$ _____ |

TOTAL QZAB REQUEST \$ 17,700,000.00
for this school building only

QZAB PROGRAM OBJECTIVES

School district project must address one or more of the following objectives.

Check all that apply and attach a detailed description of how each checked objective will be met.

- ☒ Creating sustainable schools (increasing energy efficiency, improving energy and water conservation, reducing greenhouse gas emissions, improving indoor environmental quality, and reducing waste)
- ☐ Creating space within an existing building's footprint for high-quality pre-school, full-day kindergarten, and/or reducing class size in the early grades
- ☒ Creating space within an existing building's footprint for Science, Technology, Engineering, and Mathematics (STEM) programs
- ☒ Correcting health and safety deficiencies, including school building security upgrades and building code violations

QUALIFIED ZONE ACADEMY BOND PROGRAM APPLICATION (2 OF 2)

SCHOOL DISTRICT NAME: Warren County School District

PROJECT BUILDING/SITE NAME: Beaty Warren Middle School

QZAB CERTIFICATION OF ELIGIBILITY – THE FOLLOWING FOUR CRITERIA MUST BE MET:

CRITERIA 1: SCHOOL BUILDING - STUDENT ELIGIBILITY (check box if criteria has been met)

☒

As of the date of issuance of the bonds, there is a reasonable expectation that at least 35 percent of the students attending the project school building will be eligible for free or reduced-cost lunches under the school lunch program established under the National School Lunch Act.

For the project building, indicate the percent of students eligible in School Year 2009-2010 38 %.

CRITERIA 2: PRIVATE BUSINESS CONTRIBUTION (check box if criteria has been met)

☒

The school district has written commitments from private entities to make qualified contributions having a present value (as the date of the issuance of the bond issue) of not less than 10 percent of the proceeds of the bond issue. Written verification from private entities must be attached.

CRITERIA 3: CHARACTERISTICS OF THE PROGRAM/EDUCATIONAL INITIATIVE (check box if criteria has been met) A detailed description of the educational initiative being proposed must be attached.

☒

The project school or program is designed in cooperation with business to enhance the academic curriculum, increase graduation and employment rates, and to 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 school district.

CRITERIA 4: USE OF BOND PROCEEDS (check box if criteria has been met)

☒

A written monthly spending plan associated with the proposed project and/or program is attached to this application.

SUPPORTING DOCUMENTATION (Check box to indicate documents attached to this application.)

☒

Detailed description of the project and/or program, and how the QZAB program objectives, identified on Page 1 of this application, will be met.

☒

Written verification of private business contributions. Written commitments must provide specifics on the type of contributions, such as equipment for use in the program, technical assistance in developing curriculum to promote market-driven technology in the classroom, volunteer mentors, internships, cash, etc.

☒

Detailed description of the educational initiative being proposed under the program. Describe how the proposed use of qualified zone academy bonds supports the proposed educational initiative.

☒

Written monthly spending plan associated with the proposed project and/or program.

BOARD CERTIFICATION

The Board hereby certifies that 100 percent of the available project proceeds of the QZAB issue will be used for the renovation, repair or rehabilitation of a public school facility or for equipment to be used at the academy, which support the academic program being proposed, or for up-to-date technology or instructional materials if the intended use can be classified as a capital asset under the Local Government Unit Debt Act (LGUDA).

The Board certifies that the information in this application and the attached documentation are true and correct.

BOARD ACTION DATE: _____

VOTING: AYE ____ NAY ____ ABSTENTIONS ____ ABSENT ____

Signature, Board Secretary

Board Secretary's Name, Printed or Typed