April 24, 2013

MEMORANDUM

TO: City and County Superintendents
Chief School Financial Officers

FROM: Warren Craig Pouncey
Chief of Staff

RE: Qualified Zone Academy Bonds – Survey

The enclosed survey form was distributed to superintendents in a recent meeting in Montgomery to assist in our efforts to locate a source of funding for Qualified Zone Academy Bonds (QZABs). Although the deadline for submission of the survey is a few days away, I would urge those who have not returned the survey form to send it to us as soon as possible.

We have located a financial institution that is willing to issue QZABs for qualified purposes for amounts as low as $1 million at a zero interest rate. The financial institution has indicated that the repayment terms could be up to 15 years with equal annual installments that total the amount borrowed.

Alabama’s allotments of Qualified Zone Academy Bonds currently total $21,456,000. This survey is intended to determine the interest in Qualified Zone Academy Bonds (QZABs). The enclosed survey must be returned by April 30 by faxing the completed document to (334) 353-4497.

If you have questions regarding Qualified Zone Academy Bonds (QZABs) contact Mr. Dennis Heard by calling (334) 242-9747 or at the e-mail address dheard@alsde.edu.

WCP:DWH
Enclosure
FY13-3032
Qualified Zone Academy Bonds Survey

___ Yes, our school system has building repair and renovation needs at specific schools with 35% or more students qualified for free or reduced price meals. Our school system will provide local funds for the repayment of debt to obtain QZAB funds in the amount of ____________________.

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<th>School Name</th>
<th>To be used for:</th>
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OR

___ No, our school system does not intend to pursue QZAB funds.

Name of School System

Superintendent

The survey form must be returned by April 30 by faxing the completed document to (334) 353-4497.
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 24 years but could change by the date of the debt issuance.

QZAB allocations for Alabama are $7,131,000 for calendar year 2012 and $7,131,000 for calendar year 2013. Alabama also has a 2011 calendar year allocation of $7,194,000. The QZAB allocations available for Alabama schools for these three years total $21,456,000. These allocations are in addition to the $130.922 million previously made available for Alabama schools for the years 1998 through 2010.

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 grade. 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.)

3/7/2013 QZAB Summary