

Federal Facility Program

The Federal Facility Program allows school districts to take advantage of federal school facility funding that becomes available in Maine, including grants and low-interest loans, in order to improve the quality and condition of learning environments for students.

Qualified Zone Academy Bonds (QZABs)

QZABs are bonds issued by state or local governments to renovate and improve eligible public schools. The federal government subsidizes the bonds by providing tax credits to the holder of the QZABs. The credits are approximately equal to the interest that states and communities would pay the holders of taxable bonds. Therefore, issuers are generally responsible for repayment of just the principal. This is a tax credit program, not a grant program.

Each state is allotted an amount of money based on state percentages of the national population of individuals with incomes below the poverty line.

QZABs may be used for rehabilitation or repair of school buildings, purchasing equipment, developing course materials and/or training teachers and other school personnel, but not for new construction.

The following eligibility criteria must be met:

- There must be a reasonable expectation that at least 35 percent of students at the school will be eligible for free or reduced-cost lunches under the National School Lunch Act.
- Eligible schools must have an educational program developed in cooperation with business and receive a private business contribution worth at least 10 percent of the money borrowed using the QZAB.
- Eligible schools must have an education plan that is approved by their school district and in which students are subject to the same standards and assessments as other students in the district.

One-hundred percent of available proceeds must be spent within three years from the date of issuance, and issuers must certify applicable State, local and federal conflict of interest requirements are met. These bonds are subject to the prevailing wage standards under the Davis Bacon Act of 1931.

School administrative units (SAUs) are advised to consult with bond counsel prior to applying for QZAB approval. For more information about the federal QZAB program, visit the U.S. Department of Education website.

Resources

- **IRS Tax Credit Bond Rates.** Current tax credit rates for qualified tax credit bonds. These rates are published each business day by the U.S. Department of the Treasury.
- **QZAB Application – FY 2016** (docx, 58 KB). Applications are due May 26, 2016.
- **State of Maine Free and Reduced Lunch Percentages.** Look up a school's free and reduced lunch rate to determine if the 35 percent eligibility threshold is met.

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PAUL R. LEPAGE
GOVERNOR

WILLIAM H. BEARDSLEY
DEPUTY COMMISSIONER

June 16, 2016

John C. McDonald
Superintendent of Schools
RSU 13
28 Lincoln Street
Rockland, Maine 04841

Dear Superintendent McDonald:

This letter is to confirm State Board of Education approval of your application to make use of Qualified Zone Academy Bond (QZAB) financing for Oceanside High School East, Oceanside High School West, Rockland District Middle School, South School, Thomaston Grammar School, and Cushing Community School in an amount not to exceed \$798,000. Your award is being made from Maine's 2015 and 2016 Federal QZAB allocation.

School administrative units are responsible for meeting all Federal requirements under this program including establishing a qualified academy, using QZAB proceeds for eligible expenditures, obtaining a qualified private 10% matching grant, adhering to expenditure timelines, adhering to Davis-Bacon wage rate requirements, and complying with arbitrage and reporting requirements. Your QZAB must be issued by December 31, 2017.

I wish you good luck with your project and hope this financing mechanism will be beneficial to you. If you have any questions regarding the QZAB program please contact Ann Pinnette at 624-6885 or ann.pinnette@maine.gov.

Sincerely,

A handwritten signature in cursive script that reads "William H. Beardsley".

William H. Beardsley
Deputy Commissioner