



UNITED INDEPENDENT SCHOOL DISTRICT INFORMATIONAL ITEM

TOPIC: _____ Qualified School Construction Bond Program for 2010 _____

SUBMITTED BY: Laida P. Benavides, CPA _____ **OF:** _____ Division of Finance _____

APPROVED FOR TRANSMITTAL TO SCHOOL BOARD: _____

DATE ASSIGNED FOR BOARD CONSIDERATION: _____ June 16, 2010 _____

Informational Item:

With the passage of the American Recovery and Reinvestment Act of 2009, Congress authorized the creation of the Qualified School Construction Bond (QSCB) program. The program allows school districts and charter schools to obtain interest-free or very-low interest financing for qualified construction projects. The program provides an incentive in the form of federal tax credits to lenders who purchase bonds from issuing school districts and charter schools. For the purpose of the QSCB Program, for school districts a "bond" may be in the form of a bond, lease purchase, time warrant, or maintenance tax note.

Presentation to be made to board members at the Business Committee regarding the QSCB program for 2010.

Qualified School Construction Bond (QSCB) Program June 8, 2010



What is the QSCB program?

- American Recovery and Reinvestment Act authorized the creation of the Qualified School Construction Bond (QSCB) program, which is a Federal Tax Credit program.
- School districts can obtain interest-free or very low-interest financing for qualified construction projects.

How do the bonds work?

- School districts can use the Bonds to save money on school construction, purchase of school land, rehabilitation or repair projects
- A “bond” may be in the form of a bond, lease purchase, time warrant or maintenance tax notes.
- Max term pay back is 14 years
- QSCB proceeds need to be spent in the three years from the sale of bonds
- UISD applied for the 2009 QSCB for \$17.4M

QSCB 2009-Maintenance Tax Notes

- United ISD issued Maintenance Tax Notes for \$17.4 Million for the QSCB 2009 program
- “Maintenance expense” includes all costs incurred in connection with the maintenance, repair, rehabilitation, or replacement of heating, air conditioning, water, sanitation, roofing, flooring, electric or other building systems of existing school properties. (no new construction allowed)

How much is available for 2010?

- The Texas allocation for the QSCB 2010 program consists of \$1.015 billion million for general allocation through TEA
 - Another \$467.4 million were allocated directly to 18 Texas School districts (LISD \$14.1m)
 - \$100 million allocated for charter schools
 - \$100 million allocated for districts located within Hurricane Ike affected counties
 - An additional amount may be reserved for larger school districts that were unable to fully use their 2009 QSCB allocation
 - The remaining \$347.6 million could be available for other districts

UNITED ISD eligibility

- Per TEA's calculation based on 2008-09 enrollment, United ISD qualifies to apply for \$25,243,000
- On May 17th, TEA informed districts the 2010 QSCB application is available and is still on a "first come first serve" basis for these bonds.
- Deadline to apply June 30, 2010
- UISD might consider applying for construction of (2) elementary schools (Hwy 359 and Lomas del Sur areas as identified as priority by Planning Dept.)

Timeline on QSCB 2010

- June 2010-Submit application to TEA
- If approved by TEA, Board authorizes Issuance of financing within a 180 day period
- Within 30-60 days staff procures for projects
- Commit at least 10% of proceeds within six months as required by program
- Finish all projects within 3 years