

Chapter 64: Qualified Zone Academy Bonds

Rule 64.1 Qualified Zone Academy Bonds

1. Background

Created by The Taxpayer Relief Act of 1997, QZABs are an interest free financial instruments that provide a different form of subsidy from traditional tax-exempt bonds. The difference is that the QZAB bondholder (these include banks, insurance companies and corporations actively involved in the business of lending money as well as any individual or private business) receives a federal income tax credit in an amount equal to a percentage of the face amount of the bond. The local school board will be responsible for the issuance of QZAB debt under existing statutory authority and the repayment of the QZAB principal upon maturity. The credit (interest) rate and maximum maturity (about 14 years under current market conditions) are determined by statutory formulas.

QZABs are to be issued in support of a Qualified Zone Academy. A Qualified Zone Academy is defined to include a public school (not a school district) or academic program within a school that enters into a partnership with one or more local businesses to enhance the academic curriculum, increase graduation and employment rates, and better prepare students for the rigors of college and the workforce under a plan approved by the local school board. Eligible schools must be located in an empowerment zone or an enterprise community or expect to have at least 35 percent or more of their students eligible for free or reduced lunch under the National School Lunch Act. Students in a Qualified Zone Academy must be subject to the same academic standards and assessments as other students educated by the local school system. A Comprehensive Education Plan must be developed by the partnership and must be approved by the board of education of the local school district.

The Department of Education has the responsibility of allocating portions (or all) of the amount of QZAB authority allocated to the State to one or more Qualified Zone Academies. Amounts allocated to the State for a year that are not allocated to Qualified Zone Academies during that year will be carried over and allocated in any subsequent year. The Davis-Bacon Act applies to projects funded with QZABs.

2. Allocation of QZAB to PUBLIC School Districts

The total amount of QZABs allocated to Mississippi will be available to public school districts that meet established criteria on first-come-first-served basis. The Department will make that determination based on the date and time the QZAB Application is received from the school district. The amount of QZABs available to public schools will be based on the availability of funds at the time of request.

3. QZAB Application

The local school district must complete an application in its entirety and submit to MDE as required.

It is the responsibility of the board of education of the local school district to determine whether the purposes for which the QZAB is issued conform to applicable State and Federal Law.

Source: *Public Law 105-34, Sec. 1397E; Public Law 107-217 (Revised 7/2015)*