

Tax Credit Bonds for Schools in the American Recovery and Reinvestment Act

The Tax Credit Bonds for Schools section of the of the American Recovery and Reinvestment Act (ARRA) (page 241) **expands the Federal QZAB program and gives states money to run their own QZAB-like programs.**

The Qualified Zone Academy Bond (QZAB) is a program run by the federal Department of Education, intended to help high-need school districts pay for renovations and repairs. If a project is accepted, QZAB will cover the interest on bond payments. *The interest will be “paid” directly to the financial institution holding the bond in the form of a tax credit.* School districts are eligible if **at least 35% of their students receive free or reduced lunch**, or if the project lies within an **enterprise community or empowerment zone.**

In the past, the QZAB program has been limited to just \$400M with which they could distribute. Over the years, Oregon’s receipt of QZAB funds has accumulated to **less than 1%** of the funds distributed. **With the ARRA, the money available through QZAB will be increased by \$2.6 B over the next two years.**

The ARRA also allows states to pay the interest on school bonds in a way similar to the QZAB. There is a *national cap of \$11 B in 2009 and an additional \$11 B in 2010 available to be financed.* 40% of the allocation will be given directly to the 100 largest, high-need population districts in the nation. The remaining allocation will be distributed to states according to the Elementary and Secondary Education Act.

The language of the bill does not specifically require states to follow the QZAB standards when selecting projects.

For more information on the QZAB program, visit: <http://www.qzab.org>

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The full ARRA can be found at: <http://appropriations.senate.gov/>