



PUBLIC SCHOOLS OF NORTH CAROLINA

STATE BOARD OF EDUCATION William C. Harrison, Ed.D., *Chairman and Chief Executive Officer*
DEPARTMENT OF PUBLIC INSTRUCTION June St. Clair Atkinson, Ed.D., *State Superintendent*
WWW.NCPUBLICSCHOOLS.ORG

MEMORANDUM

TO: Public School Superintendents
Chairs of County Boards of Commissioners

FROM: Philip W. Price, Chief Financial Officer
Benjamin J. Matthews, PhD., Director, School Support Division

DATE: March 15, 2011

SUBJECT: Qualified School Construction Bonds and Qualified Zone Academy Bonds

After the 2010 bond issuance deadline the state of North Carolina has a remainder of \$16,792,110 in Qualified School Construction Bonds. At this time we would like to offer these funds to all LEAs, excluding the big five that received federal allocations. There is no limit to how much each LEA can apply for and this will be on a first come, first served basis until the funds have been exhausted. To be considered for these funds you must submit a complete QSCB application, which includes the following pieces:

- One application for each individual project
- A resolution from the Board of Education certifying the eligibility of the proposed QSCB project
- Application cover sheet with required signatures
- Project Description
- Proposed Spending Plan
- Proposed Project Schedule

This final round of QSCBs will conclude June 15, 2011, at which time we will allow the big five LEAs to apply for any remaining funds.

There is also \$84,517,234 remaining of Qualified Zone Academy Bonds that has no application limit or deadline. You can find applications and additional information at the School Planning website www.schoolclearinghouse.org. Feel free to request additional clarification from Dr. Ben Matthews, Director of School Support, at (919) 807-3501 or Mary Spradling, School Planning at (919) 807-3556.

PWP/mks

CC: LEA Finance Directors
County Finance Directors
LEA Maintenance Directors

OFFICE OF FINANCIAL AND BUSINESS SERVICES

Philip W. Price, *Chief Financial Officer* | pprice@dpi.state.nc.us
6326 Mail Service Center, Raleigh, North Carolina 27699-6326 | (919) 807-3600 | Fax (919) 807-3604
AN EQUAL OPPORTUNITY/AFFIRMATIVE ACTION EMPLOYER

QUALIFIED SCHOOL CONSTRUCTION BONDS
(QSCB)
North Carolina Guidelines

The following define and describe the QSCB program and its implications for public schools in North Carolina.

1. The Qualified School Construction Bonds program was established as a part of the American Recovery and Reinvestment Act of 2009 (Public Law 111-5) (ARRA) effective February 17, 2009.

2. Bond proceeds must be used for construction (including new construction), rehabilitation, or repair of a public school; or for land acquisition for such a facility.

a. Eligible equipment expenditures: equipment to be used in the portion of the public school facility to be constructed, rehabilitated, or repaired with QSCB funds. This may include wiring and other infrastructure improvements related to providing technology and equipment for the new construction and rehabilitation or repair of existing structures, but not for personal computers or similar technology.

b. The land purchase and building project on such land must be with the same bond proceeds and be completed within 3 years of bond issuance (not land for a future project).

c. QSCB funds may not be used for stadiums or other facilities primarily used for athletic contests or exhibitions or other events for which admission is charged to the general public; or stand alone facilities whose purpose is not the education of children, including the central office.

d. Up to 2% of the bond proceeds may be used for QSCB issue administrative costs.

3. The QSCB program is intended to be interest free bonds. In order to ensure this is the case there are two methods available to issue these bonds.

a. The 2009 IRS guidance offers tax credits, at a level set by the Treasury Department that is intended to allow the issuance of bonds without interest, to holders of the bonds. QSCB holders (these include banks, insurance companies, and corporations actively involved in the business of lending money, as well as private and individual businesses) receive a federal income tax credit in an amount equal to a percentage of the face value of the bond.

OR-

b. The installment of the Jobs Act (HR 2847) allows for interest subsidy payments from the federal government to pay the interest on the QSCB taxable interest bearing bonds, similar to the Build America Bonds (BAB). To receive this subsidy the borrower must file Form 8038-CP with the IRS 90 days prior to any interest payment, for each interest payment, as long as the bonds remain outstanding. The amount of repayment will be determined by the county bond rating or the tax credit given to lenders. Please contact

the LEA's bond council for further information.

4. The maximum term of indebtedness is set by the U.S. Treasury so that the local government's obligation to repay in present value terms will be 50 percent of the borrowed amount.

5. The U.S. Treasury Department has allocated for 2009 and 2010 the authority to issue QSCBs in North Carolina in the face value amount of \$552,830,000. The remaining QSCB authority is \$16,792,110.

a. Allocations to the five largest LEA's (Mecklenburg, Cumberland, Forsyth, Guilford and Wake) were made directly by the U.S. Treasury Department and are not eligible for the remaining funds.

b. It is the responsibility of the State Board of Education to allocate the remaining portion of the QSCB authority to the remaining LEA's.

c. An application to designate the funds will be required for QSCB's and is at the end of this package.

6. QSCB's may be issued by local governments, which will then be responsible for repaying the principal amount. Proceeds may be held in an interest-bearing sinking fund account.

7. QSCB's must be issued by December 31, 2011 and the proceeds spent within 3 years of issue date.

8. For questions on the U.S. Treasury Department's guidance on the Qualified School Construction Bonds program please contact your LEA's bond council.

9. Local officials will be responsible for:

a. Determining whether the purposes for which QSCB's are issued conform to state law regarding indebtedness;

b. Working with financial institution(s) to issue the QSCB's;

c. Payment of the principal, upon maturity;

d. Reporting requirements (See Appendix "A"); and

e. Following all state statutes involving bidding bonds, including but not limited to GS 143-134.1 which refers to retainage fees.

10. It will be the responsibility of the governmental entity that issues the bonds to certify to prospective purchasers that it has met all requirements under the program. The IRS has indicated that bond holders may rely on these certifications if they are reasonably made. The Department of Public Instruction will not be involved in reviewing or assessing an issuer's

eligibility under this program. Potential issuers are strongly encouraged to consult bond counsel before making any certification of eligibility.

11. In addition to federal requirements, any bonds issued for these purposes must also meet the requirements of North Carolina law, which, in some cases, might be more restrictive than federal rules. Borrowing under this plan requires the same authorization as any other municipal borrowing, including approval by the LGC.

12. Questions on Applications will be reviewed by a committee comprised of the Superintendents' Bond Advisory Council (SBAC), the executive director of North Carolina School Boards Association, and the general counsel of the North Carolina Association of County Commissioners, in cooperation with School Planning staff. The committee will recommend allocations of authority.

13. Copies of the following are a required part of a formal application:

- a. Board of Education resolution certifying the eligibility of the proposed QSCB project
- b. Proposed project description, spending plan and project schedule

14. A separate application must be submitted for each individual project.

15. All formal applications must be submitted via certified mail. Hand deliveries will not be accepted.

16. Note: Charter Schools are not eligible for the QSCB program.

17. 10% of the QSCB proceeds must be committed by contract with a third party within 6 months after issuance of the bonds.

18. Go to www.schoolclearinghouse.org for a copy of the most recent Qualified School Construction Bonds (QSCB) package.

19. LEA's shall comply with the Solicitation Provisions and Contract Clauses required by the America Recovery and Reinvestment Act (ARRA) of which include the Reporting Requirements of March 2009, among others.

QUALIFIED SCHOOL CONSTRUCTION BONDS (QSCB)
APPENDIX A - Reporting

1. Section 1601 of the ARRA requires payment of the Davis-Bacon Act (40 USC 31) wage rates to “laborers and mechanics employed by contractors and subcontractors on projects funded directly by or assisted in whole or in part by and through the Federal Government” pursuant to the Recovery Act (ARRA).

a. The Payroll form, attached at the end of this package, must be completed in accordance with Federal requirements. Instructions for completing this form can be found at www.dol.gov/esa/whd/forms/wh347instr.htm

Note: While completion of Form WH-347 is optional, it is mandatory for covered contractors and subcontractors performing work on Federally financed or assisted construction contracts to respond to the information collection contained in 29 C.F.R. 3.3, 5.5(a). The Copeland Act (40 U.S.C. 3145) contractors and subcontractors performing work on Federally financed or assisted construction contracts to “furnish weekly a statement with respect to the wages paid each employee during the preceding week.” U.S. Department of Labor (DOL) regulations at 29 C.F.R 5.5(a)(3)(ii) require contractors to submit weekly a copy of all payrolls to the Federal agency contracting for or financing the construction project, accompanied by a signed “Statement of Compliance” indicating that the payrolls are correct and complete and that each laborer or mechanic has been paid not less than the proper Davis-Bacon prevailing wage rate for the work performed. DOL and federal contracting agencies receiving this information review the information to determine that employees have received legally required wages and fringe benefits.

2. Within 30 days of bond issuance written notification must be sent to School Planning of North Carolina Department of Public Instruction. The form is found at www.schoolclearinghouse.org.

3. Within 30 days of project completion written notification must be sent to School Planning of North Carolina Department of Public Instruction. The form is found at www.schoolclearinghouse.org.

4. The following is required to be submitted to the Office of Economic Recovery and Investment (OERI):

a. LEA’s must post solicitation for design services and construction bids on IPS.

b. Contractors and subcontractors must post job listings with the ESC.

c. HUB utilization must be reported on a monthly basis as needed. These reports are not cumulative and only need to be filed in the months where there is new participation information.

**QUALIFIED SCHOOL CONSTRUCTION BONDS PROGRAM
(QSCB)
APPLICATION FOR AUTHORIZATION**

Submittal Date:	Contact Person:
LEA:	Title:
School:	Address:
Address:	City:
City:	Phone/Fax:
<input type="checkbox"/> New <input type="checkbox"/> Renovation/Addition	E-mail:

Certification of Eligibility
<p>The Board of Education of the above-named LEA certifies, through a board resolution dated _____, that the QSCB proceeds will be used as follows: <i>Note: A copy of the resolution must accompany this application.</i></p>

1. Construction, rehabilitation, or repair of a public school or for land acquisition for such a facility (not land for a future project).
2. Provision of equipment to be used in the portion of the public school facility to be constructed, rehabilitated, or repaired with QSCB funds (not personal computers or similar technology).

Note: A copy of the project description, proposed spending plan and project schedule must accompany this application.

QSCB'S MUST BE ISSUED BY DECEMBER 31, 2011

_____	Board of Education	_____	County Board of Commissioners
_____	Chair	_____	Chair
_____	Secretary	_____	Clerk
_____	Date	_____	Date

Please return original via certified mail post marked no later than **June 15, 2011** to:

QSCB II – Third Round
 School Planning Section
 North Carolina Department of Public Instruction
 6319 Mail Service Center
 Raleigh NC 27699-6319

Public Schools of North Carolina
Qualified School Construction Bonds Program (QSCB)
PROJECT DESCRIPTION

LEA _____

School _____

Project Description: Provide a brief narrative that describes the project being applied for.

Public Schools of North Carolina
Qualified School Construction Bonds Program (QSCB)
PROPOSED SPENDING PLAN AND PROJECT SCHEDULE

LEA _____ Date _____

LEA Code ___ ___ ___ School Code ___ ___ ___ DSP Property Number (if known) ___ ___ ___

School _____ Grades _____

Proposed Spending Plan

Administration cost/Bond issue costs (max 2%) \$ _____

Design fees \$ _____

New construction cost \$ _____

Renovation cost \$ _____

Land cost \$ _____

Total project cost \$ _____

Amount of QSCB authority requested \$ _____

Other sources of funding and amounts for overall project _____
(Note: Funds and reporting are NOT allowed to be comingled)

To comply with the Federal QSCB requirements, we understand that a commitment in the form of contracts for the work for 10% of the funds must be made within 6 months and the remainder must be spent within 3 years after the issue of QSCB bonds. **Signed** _____

Provide a written explanation clearly showing the means by which the district intends to repay the bond principal upon maturity.

Proposed Project Schedule

Date of design start _____

Date of project start _____

Estimated completion date _____