



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: Benjamin J. Mathews, PhD., Director, School Support Division

DATE: August 12, 2009

SUBJECT: Qualified School Construction Bonds (QSCBs)

Due to the fact that approximately \$86 million of 2009 QSCB allocation will not be used by the LEA's in North Carolina, we are re-advertising for applications from those LEA's who wish to apply this time or for additional bond authorization. Those LEA's who sent in their application during the first request will be awarded up to their original allocation but can ask for more during this re-advertisement. Note that if you requested more than your allocation initially you must re-apply for the excess now.

Note that the application must be postmarked no later than August 26, 2009 and be signed by either the school superintendent or chairman of the school board and, either the chairman of the county commissioners, or the county manager. Those applications not receiving these signatures will not be considered. The remaining signatures and attachments must be provided to our office prior to issuance of bonds

Projects must be far enough along in planning to have a reasonable expectation of meeting the December 31, 2009 deadline for bond issuance and start construction soon thereafter.

A notice of re-advertisement for Qualified Zone Academy Bonds (QZABs) allocations that were not requested (approximately \$22 million) will be sent out next week.

BJM:pr

cc: LEA Finance Directors
County Finance Directors
LEA Maintenance Directors

DIVISION OF SCHOOL SUPPORT

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6319 Mail Service Center, Raleigh, North Carolina 27699-6319 | (919) 807-3500 | Fax (919) 807-3502
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 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.

4. The maximum term of indebtedness, about 12 years under current market conditions which are subject to change, is set by the U.S. Treasury.

5. The U.S. Treasury Department has allocated for 2009 the authority to issue QSCBs in North Carolina in the face value amount of \$275,772,000. After the first round of applications there is \$86,011,993 remaining to be applied for, which will be available immediately for LEA's to re-apply.

a. There is no limit on the amount a single LEA may apply for on the new application; however, large amounts will be pro-rated in proportion to the remaining QSCB money.

- b. Allocations to the five largest LEA's (Mecklenburg, Cumberland, Forsyth, Guilford and Wake) were made directly by the U.S. Treasury Department for the first application process and cannot be reallocated to the remaining LEAs. Furthermore, these five LEA's are not allowed to apply for any additional funds.
 - c. It is the responsibility of the State Board of Education to allocate the remaining portion of the QSCB authority to the remaining LEA's.
 - d. A formal application to designate the funds will be required for QSCB's and is at the end of this package. This application must be postmarked no later than August 26, 2009.
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, 2009 and the proceeds spent within 3 years of issue date.
8. The U.S. Treasury Department's guidance on the Qualified School Construction Bonds program can be found in its entirety at <http://www.irs.gov/pub/irs-drop/n-09-35.pdf>.
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
 - f. 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. 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. Final authority will be allotted upon its review of formal applications postmarked by eligible LEAs no later than August 26, 2009.

14. Copies of the following are a required part of a formal application which is due prior to bond issuance:

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

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

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

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

18. 10% of the QSCB proceeds must be committed by contract with a third party within 6 months after issuance of the bonds.

19. Go to www.schoolclearinghouse.org for a copy of the 2009 Qualified School Construction Bonds (QSCB) package.

20. 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 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).

2. Reporting requirements by QSCB’s authority recipients:

a. First reporting due by October 10, 2009 (Includes all cumulative activity since passage of the Recovery Act.)

b. Quarterly reports due 10 days after the end of each calendar year quarter thereafter.

c. Note: Detailed (final) reporting instructions will be made available at www.FederalReporting.gov no less than 45 days before the October 10, 2009 first reporting deadline.

d. LEA’s will send their reports directly to the Federal Government per their published instructions with a copy to the North Carolina Department of Public Instruction, School Planning Section, attention: Long Chang, P.E.

e. The Payroll form, attached at the end of this package, must be completed in accordance with Federal requirements. Instructions for completed 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.

3. Quarterly reporting on the use of ARRA funds to include (as of this writing.):

a. Total amount of recovery funds received;

b. Amount of recovery funds received that were expended or obligated to projects or

activities;

c. Detailed list of all projects for which recovery funds were expended or obligated including:

1. Name of project or activity
2. Description of project or activity
3. Evaluation of completion status of project or activity
4. Estimate of number of jobs created and retained.

**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, 2009

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

Please return original via certified mail post marked no later than **August 26, 2009** to:

QSCB I (Readvertisement)
 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 \$ _____

Minimum Amount the District will accept \$ _____

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 _____