

## **Section 5: ARRA Bonds**

1/08/10

### **Qualified School Construction Bond**

The Qualified School Construction Bond program provides Local Education Authorities with a method of funding construction/repair/renovation of public school facilities or for land acquisition for a public school facility. The building must be built within three years of land acquisition and from the same bond proceeds as the land acquisition.

Bonds are to be issued by the local government within state allocation limits set by the U.S. Treasury, based on Title I formulas. The U.S. Treasury allocated \$88.6 million to N.C.'s five largest LEAs with high Title I percentages. The N.C. Superintendent's Advisory Council allocated the remaining \$183.7 million to the other LEAs.

Purchasers of QSCBs receive a federal income tax credit against the individual's or entity's federal income taxes at a rate set by the U.S. Treasury that, on average, equals the amount of interest schools would ordinarily pay on debt. This tax credit is in lieu of interest earned on the bonds, with the net result that the local districts are paying zero or minimal interest on bonds issued for public school construction/repair/renovation.

### **Qualified Zone Academy Bond**

The Qualified Zone Academy Bonds (QZABs) program provides LEAs with a method of funding school renovation, repairs, training, equipment and other improvements, but not new construction. The borrowing school district pays the principal back in approximately 15 years. The QZAB program requires a 10% match which may be an in-kind or in cash match.

Bonds may only be issued to qualifying schools where 35 percent or more of students are eligible for free or reduced-price school meals or if the school is located in an enterprise community or empowerment zone. Every State's share is administered by the State Department of Education, which allots the money on a first-come, first-served or other criteria basis.

Through the QZAB program the federal government covers, on average, all of the interest on these bonds, thus enabling schools to save up to 50 percent of the costs of these construction/other projects. The interest payment is actually a tax credit, in lieu of cash, provided to financial institutions that hold the bonds. When a school district issues a QZAB, it is like getting 50% of the funds as a grant.

### **Recovery Zone Bonds**

Recovery Zone Bonds provides local government and private industry with a method of funding construction and improvement of facilities within issuer-designated "Recovery Zones," defined by the Treasury as an area with "significant poverty, unemployment,

home foreclosures or general distress.” U.S. Treasury allocated authority to issue Recovery Zone bonds to 94 counties and 7 municipalities in North Carolina.

Recovery Zone Economic Development (RZEDB) bonds finance governmental purposes in a designated recovery zone and Recovery Zone Facility bonds (RZFB) are private activity bonds that finance a private use in a designated recovery zone. RZEDBs may be used for capital expenditures, industrial parks, public infrastructure and construction of public facilities. RZFBs may be used for rehabilitation, renovation and improvement for a trade or business other than specific federally designated prohibited activities. North Carolina received an allocation of \$418,154,000 for RZEDBs and \$617,231,000 for RZFBs.

#### Status of Reallocation Process

Local governments have been asked to affirm their intent to use The Recovery Zone (RZ) allocation. The deadline for making this declaration was December 15, 2009. The ARRA has a deadline of December 31, 2010 for the issuance of bonds under this authorization. A number of local governments indicated that they did not intend to use this time- limited authority. It has been necessary for the state to undertake a reallocation process to enhance the use of this debt instrument within the time requirements. According to temporary rules adopted by the state, local governments which do not declare their intent to use the RZ authority are deemed to have waived this allocation to the state for reallocation to other local governments.

The following is the result of this process:

#### **Recovery Zone Economic Development Bonds (RZEDB)**

Statewide Allocation	\$418,154,000
Local Gov't. Notice of Intent to Use	119,650,000
Bonds Issued	<u>8,570,000</u>
Balance	\$289,934,000

#### **Recovery Zone Facility Bonds (RZFB)**

Statewide Allocation	\$627,231,000
Local Gov't. Notice of Intent to Use	223,998,000
Bonds Issued	<u>7,000,000</u>
Balance	\$396,233,000

**Details – RZEDB - Intent to Use**

<u>Local Gov't.</u>	<u>Amount</u>	<u>Project</u>
Fayetteville	\$1,569,000	Parking Deck
Greensboro	4,000,000	Parking Deck / Infrastructure
High Point	5,007,000	Wastewater Treatment Plant Upgrade
Winston Salem	4,785,000	
Alamance County	5,899,000	Renovations / Repairs to County Bldgs / Paving Streets
Bertie County	1,650,000	Water System Improvements
Brunswick County	2,810,000	Water / Sewer and Library Improvements
Buncombe County	9,749,000	Public Safety Training Center / County Administration Building
Cleveland County	7,373,000	Multi-Use Facility
Columbus County	4,669,000	Public Facilities, New Judicial center or Educational Facilities
Cumberland County	1,138,000	Coliseum
Dare County	2,270,000	Upgrade Emergency Communications System
Gaston County	5,800,000	Landfill Gas to Energy Project
Graham County	1,395,000	County Services Building
Granville County	1,026,000	Elementary School
Guilford County	6,537,000	
Haywood County	2,212,000	Social Services Building
Henderson County	3,925,000	Repairs to Building
Iredell County	12,106,000	Water / Sewer improvements, Fire Station
Nash County	4,364,000	Various projects
New Hanover County	6,000,000	Mental Health System Admin. Bldg.
Pasquotank County	1,500,000	New Jail
Rockingham County	4,283,000	Horse Park
Surry County	7,208,000	Building purchase, Water System improvements
Wake County	6,333,000	Elementary School Renovation
Watauga County	4,524,000	Indoor Recreation Facility
Yancey County	1,518,000	Library Expansion
Total 27	\$119,650,000	
Catawba County	+ 8,570,000	Bonds Issued for Medical Center
	\$128,220,000	

## **RZFB – Private Development Financing**

<u>Local Gov't</u>	<u>Amount</u>	<u>Project</u>
Charlotte	\$44,505,000	Manuf. Project
Fayetteville	2,353,000	Hotel
Greensboro	19,069,000	Hotel
Raleigh	4,000,000	Administrative Space
Winston Salem	12,280,000	
Bertie	2,474,000	Infrastructure
Bladen	4,307,000	Infrastructure
Buncombe	14,624,000	Manuf. & Retail
Cumberland	1,707,000	Retail
Duplin	9,730,000	Hospitality
Forsyth	7,989,000	
Guilford	9,805,000	Hospitality – Retail
Halifax	4,700,000	Entertainment
Harnett	8,526,000	Transportation – Retail – Hospitality
Iredell	18,159,000	Manuf., Mixed-use
Martin	2,713,000	Manuf.
Mecklenberg	13,278,000	Manuf.
Randolph	10,800,000	Energy Facility
Rockingham	6,425,000	
Surry	6,000,000	Manuf.
Swain	1,992,000	Industrial
Wake	9,499,000	Reuse of Manuf. Facility
Watauga	6,786,000	Mixed-use
Yancey	2,277,000	Hospitality
Total 24	\$223,998,000	
Columbus County	+ 7,000,000	Bonds issued – Manuf.
	<u>\$230,998,000</u>	

## **Reallocations**

Requests for additional allocation authority have been received by the Commerce Department and are being reviewed. The Tax Reform Allocation Committee is responsible for making the allocations to local governments. Such projects must be at a sufficient stage of development so that bonds can be issued before December 31, 2010.

Qualified School Construction Bonds

COUNTY	Total Approved Allocation
CUMBERLAND	\$15,900,000
FORSYTH	\$12,244,000
GUILFORD	\$17,147,000
MECKLENBURG	\$25,962,000
WAKE	\$17,304,000
<b>UST Total*</b>	<b>\$88,557,000</b>
ALAMANCE	\$4,991,903
ALEXANDER	\$0
ALLEGHANY	\$3,339,586
ANSON	\$0
ASHE	\$1,256,189
AVERY	\$3,398,127
BEAUFORT	\$0
BERTIE	\$1,231,553
BLADEN	\$1,523,700
BRUNSWICK	\$0
BUNCOMBE	\$5,685,965
BURKE	\$0
CABARRUS	\$7,487,050
CALDWELL	\$2,971,361
CAMDEN	\$3,369,926
CARTERET	\$1,653,861
CASWELL	\$0
CATAWBA	\$9,698,242
CHATHAM	\$3,830,050
CHEROKEE	\$1,282,886
CHOWAN	\$0
CLAY	\$0
CLEVELAND	\$2,306,771
COLUMBUS	\$0
CRAVEN	\$0
CURRITUCK	\$0
DARE	\$3,599,656
DAVIDSON	\$5,076,972
DAVIE	\$3,745,813
DUPLIN	\$0
DURHAM	\$0
EDGECOMBE	\$0
FRANKLIN	\$3,600,730
GASTON	\$5,772,512
GATES	\$0
GRAHAM	\$0
GRANVILLE	\$3,918,111
GREENE	\$0
HALIFAX	\$3,453,516

COUNTY	Total Approved Allocation
HARNETT	\$2,483,426
HAYWOOD	\$3,843,884
HENDERSON	\$4,270,400
HERTFORD	\$0
HOKE	\$1,594,844
HYDE	\$3,002,692
IREDELL	\$4,906,269
JACKSON	\$0
JOHNSTON	\$0
JONES	\$2,200,000
LEE	\$3,980,376
LENOIR	\$0
LINCOLN	\$4,177,786
MACON	\$3,568,603
MADISON	\$3,427,517
MARTIN	\$3,525,984
MCDOWELL	\$0
MITCHELL	\$0
MONTGOMERY	\$0
MOORE	\$0
NASH	\$2,391,376
NEW HANOVER	\$2,901,219
NORTHHAMPTON	\$0
ONSLOW	\$0
ORANGE	\$5,691,511
PAMLICO	\$0
PASQUOTANK	\$1,481,088
PENDER	\$2,500,000
PERQUIMANS	\$0
PERSON	\$0
PITT	\$5,043,632
POLK	\$0
RANDOLPH	\$1,360,043
RICHMOND	\$3,834,774
ROBESON	\$2,866,522
ROCKINGHAM	\$4,334,795
ROWAN	\$0
RUTHERFORD	\$0
SAMPSON	\$0
SCOTLAND	\$3,000,000
STANLY	\$0
STOKES	\$0
SURRY	\$7,222,761
SWAIN	\$1,825,000
TRANSYLVANIA	\$1,297,778
TYRRELL	\$0

COUNTY	Total Approved Allocation
UNION	\$4,000,599
VANCE	\$2,365,370
WARREN	\$1,206,441
WASHINGTON	\$0
WATAUGA	\$1,351,726
WAYNE	\$0
WILKES	\$3,500,000
WILSON	\$0
YADKIN	\$0
YANCEY	\$1,413,178
<b>DPI Total**</b>	<b>\$183,764,073</b>
<b>NC Total</b>	<b>\$272,321,073</b>

\*US Treasury distributed Bond Authority directly to the 5 largest NC counties with high Title I percentages

\*\* The North Carolina Superintendent Advisor Council distributed remaining Bond Authority

**Qualified Zone Academy Bond**

<b>LEA</b>	<b>School</b>	<b>Amount Requested</b>	<b>Total requested per LEA</b>
<b>Bertie County</b>	Bertie High School	\$4,000,000	\$4,000,000
<b>Carteret County</b>	East Carteret High School	\$4,000,000	\$4,000,000
<b>Granville County</b>	Butner-Stem Elementary	\$122,291	
<b>Henderson County</b>	J. F. Webb High School	\$361,185	
	West Oxford Elementary School	\$69,847	\$553,323
	Edneyville Elementary School	\$145,500	
	Bruce Drysdale Elementary School	\$31,000	
<b>Hyde County</b>	Atkinson Elementary School	\$212,000	
	Flat Rock Middle School	\$177,500	
	Glenn C. Marlow Elementary School	\$7,000	
	Upward Elementary School	\$577,000	
	North Henderson High School	\$350,000	
	Apple Valley Middle School	\$307,500	\$1,807,500
	Ocracoke School	\$689,400	\$689,400
	Lee County High School	\$4,000,000	\$4,000,000
<b>Macon County</b>	Nantahala School	\$1,800,000	
<b>Madison County</b>	Franklin High School	\$2,000,000	\$3,800,000
	7 different schools	\$2,422,534	\$2,422,534
<b>Robeson County</b>	Fairgrove Middle School	\$1,200,000	
<b>Vance County</b>	Magnolia Elementary School	\$250,000	
	W. H. Knuckles School	\$250,000	
	Pembroke Middle School	\$500,000	
	Rosenwald Elementary School	\$1,800,000	\$4,000,000
	Aycock Elementary School	\$276,420	
	Dabney Elementary School	\$384,540	
	Zeb Vance Elementary School	\$276,420	
<b>Wilkes County</b>	EO Young Elementary School	\$204,000	
	Carver Elementary School	\$46,920	
	L. B. Yancey Elementary School	\$21,420	
	Eaton-Johnson Middle School	\$138,720	
	Henderson Middle School	\$14,570	
	Northern Vance High School	\$636,990	\$2,000,000
	North Wilkesboro Elementary	\$300,000	
	Mount Pleasant Elementary	\$300,000	
	Moravian Falls Elementary	\$2,500,000	
	Ronda-Clingman Elementary	\$340,000	
C. B. Eller Elementary	\$250,000		
C. C. Wright Elementary	\$110,000		
North Wilkes High	\$100,000		
West Wilkes High	\$100,000	\$4,000,000	
		<b>Total Applications</b>	<b>\$31,272,757</b>
		<b>Total Authorization</b>	<b>\$56,699,000</b>
		<b>Remaining Balance</b>	<b>\$25,426,243</b>