



Public Finance Bulletin

PROPOSED DIRECT SUBSIDY PAYMENTS FOR QSCB AND QZAB PROGRAMS

In December 2009, the U.S. House of Representatives passed the Jobs for Main Street Act of 2010 (the Jobs Act) that includes provisions expanding the Qualified School Construction Bond (QSCB) and Qualified Zone Academy Bond (QZAB) tax-credit programs.

What was the purpose of the QSCB and QZAB programs?

- The allocation of the tax credits provided by the QSCB and QZAB programs was designed to provide certain school districts the ability to issue debt for certain projects with zero or near zero interest rates.

Were the QSCB and QZAB programs successful in 2009?

- Because the market for tax-credit debt has been limited, many school districts have not been able to utilize their QSCB or QZAB allocations. As a result, only \$2.4 billion of the \$11 billion of QSCBs authorized and \$43.1 million of the \$1.4 billion of QZABs authorized were issued as of mid-December 2009.

How would the proposed Jobs Act expand the QSCB and QZAB programs?

- The Jobs Act as passed by the U.S. House of Representatives would permit school districts with QSCB or QZAB allocations to issue taxable bonds and receive direct payment subsidies from the federal government similar to the direct payment subsidies received by political subdivisions issuing Build America Bonds. Build America Bonds were a popular financing option in 2009, with over \$64 billion issued.

When is the U.S. Senate expected to consider the Jobs Act?

- The U.S. Senate is expected to consider the Jobs Act early this year.

How might the proposed Jobs Act provisions impact the QSCB and QZAB programs?

- If the U.S. Senate passes the Jobs Act retaining the provisions permitting school districts with QSCB and QZAB allocations to issue taxable debt with direct subsidy payments from the federal government, many commentators believe that such school districts could successfully issue such debt to finance their projects.

Additional Information

The Benesch Public Finance Group can answer your questions. If you are interested in learning more or if the Benesch Public Finance group can be of further assistance, please contact any of the following:

Catherine Swartz at cswartz@beneschlaw.com or 216.363.4546

Stephen Grassbaugh at sgrassbaugh@beneschlaw.com or 614.223.9327

Jason George at jgeorge@beneschlaw.com or 614.223.9311

Michael Melliore at mmelliore@beneschlaw.com or 614.223.9331

Susan Price at sprice@beneschlaw.com or 614.223.9377

Allison Binkley at abinkley@beneschlaw.com or 614.223.9376

For more information on Qualified School Construction Bonds and Build America Bonds, please see our prior bulletins:

- Qualified School Construction Bonds alert (April 2009)
- Build America Bonds – New Guidance from the IRS alert (April 2009)