

Qualified Zone Academy Bond (QZAB)

QZAB Program Description – Uses – Qualifications – Kansas Lease Purchase Law

Program Description: Through the federal Qualified Zone Academy Bond (QZAB) program school districts with low-income populations can save on interest costs associated with financing school renovations. The federal government covers all of the interest in the form of tax credits on these bonds, resulting in savings for these renovation and improvement projects.

QZAB proceeds may be used to rehabilitate or repair school facilities, obtain equipment, develop curricula, and/or train teachers and other school personnel. *QZAB proceeds may not be used on new construction.*

To qualify, there must be a reasonable expectation that at least 35 percent of the school's students or program participants will be eligible for free or reduced-cost lunches under the National School Lunch Act when the bonds are issued.

The school district also must obtain commitments from private entities for "qualified contributions," such as equipment, technical assistance, or volunteer services, with a present value of not less than 10 percent of the proceeds of the bond issue.

The State of Kansas is authorized to issue QZAB authority to school district's that meet **federal requirements**. One requirement is that the school district has at least 35% of its students eligible for free or reduced-price meals under the national school lunch program. Also, districts must comply with state law restrictions.

Federal Law (26 USCS §1397E) covers purposes for which QZAB's may be used. The bonds are paid back over a period of several years. Thus, state law imposes restrictions. Specifically, the projects and payments must conform with the Kansas lease purchase law, K.S.A. 72-8225 and K.S.A. 10-1116(c) (see below).

In order to qualify for the bonds, the project the school wants to undertake must meet both state and federal laws. The most typical type of expenditure that would meet both the state and federal law would be the acquisition of educational equipment. If your district chooses other types of expenditures, we would advise you to have your attorney review both laws before proceeding. It appears to us that, at a minimum, a school district could not complete items (5)(c) and (d) under the federal law because they are not authorized under the Kansas lease purchase law [72-8225 and 10-1116(c)].

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General Information:

The U.S. Department of Education, National Clearinghouse for Educational Facilities (NCEF) provides information on planning, designing, funding, building, improving, and maintaining safe, healthy, high performance schools.

Please refer to the U.S. Department of Education's website at:

<http://www2.ed.gov/programs/qualifiedzone/index.html> for detailed information concerning the program.

Kansas Lease Purchase Law [72-8225 and 10-1116(c)]

72-8225. Leases and lease-purchase agreements; terms and conditions; cash basis and budget laws not applicable. The board of education of any school district, as lessee or lessor, may enter into written contracts for the use of real or personal property and, in addition to the foregoing, the board of education of any school district may enter into lease-purchase agreements as provided by K.S.A. 10-1116b, and amendments thereto. No board of education shall enter into any contract under authority of this section as lessor of any school bus, as defined in K.S.A. 72-8301, and amendments thereto. The term of any lease or lease-purchase agreement entered into under authority of this section may be for not to exceed 10 years. Such lease or lease-purchase agreement may provide for annual or other payment of rent or rental fees and may obligate the school district to payment of maintenance or other expenses. The provisions of the cash basis law shall not apply to any lease or lease-purchase agreement entered into under authority of this section in such a manner as to prevent the intention of this section from being made effective. Any lease-purchase agreement which is entered into under authority of this section by any school district and which involves the acquisition of land or buildings is subject to the provisions of K.S.A. 10-1116c, and amendments thereto.

History: L. 1970, ch. 298, § 1; L. 1977, ch. 258, § 1; L. 1981, ch. 269, § 2; L. 1990, ch. 74, § 4; L. 1997, ch. 54, § 1; July 1.

10-1116c. Lease-purchase agreements; conditions; protest petition and election, when. Any lease-purchase agreement entered into pursuant to this act shall be subject to the following conditions:

(a) If the proposed agreement is for a term exceeding the current fiscal year of the municipality, it shall be approved by a majority vote of all members of the governing body.

(b) If the proposed agreement involves the acquisition of land or buildings by a municipality other than a county, school district or community college, is for a term of three or more years, and provides for payments in any year in excess of 3% of the total amount budgeted by the municipality for expenditure during the current year, excluding debt service, a notice thereof specifying the purpose and the total of all payments shall be published once each week for two consecutive weeks in a newspaper of general circulation within such municipality. If, within 30 days following the last publication of such notice, a petition in opposition to the agreement signed by not less than 5% of the qualified voters of such municipality is filed with the appropriate county election officer, no such agreement shall

take effect unless and until the same is approved by a majority of the qualified voters of such municipality voting at an election thereon. Any such election shall be called and held in accordance with the provisions of K.S.A. 10-120, and amendments thereto, or in accordance with the provisions of the mail ballot election act.

(c) If the municipality is a county, school district or community college and the proposed agreement involves the acquisition of land or buildings, is for a term exceeding the current fiscal year of the municipality, and provides for annual payments which in the aggregate exceed \$100,000, the governing body of such municipality first shall adopt a resolution stating its intent to enter into such lease-purchase agreement. The resolution shall specify the total of all payments to be made pursuant to the agreement and the purpose for which such agreement is to be entered into. The resolution shall be published once each week for two consecutive weeks in a newspaper of general circulation within the municipality. If a protest petition signed by not less than 5% of the qualified voters of the municipality, as determined by the vote for secretary of state at the last general election, is filed with the appropriate county election officer within 30 days following the last publication of the resolution, no such agreement shall take effect unless approved by a majority of the qualified voters of the municipality voting at an election thereon. Any such election shall be called and held in the manner provided by K.S.A. 10-120, and amendments thereto, or in accordance with the provisions of the mail ballot election act. If no such protest petition is filed within the time limitation contained herein, the governing body of the municipality may enter into such agreement. If an election is held pursuant to a protest petition and a majority vote is cast in favor of the proposition, the governing body of the municipality shall have authority to enter into such agreement.

(d) If the proposed agreement is for a term exceeding the current fiscal year of the municipality, the agreement shall specify the following: (1) The amount or capital cost required to purchase the item if paid for by cash; (2) the annual average effective interest cost; and (3) the amount included in the payments for service, maintenance, insurance or other charges exclusive of the capital cost and interest cost.

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