



SENATE BILL 468: QZAB Use Modification.

2017-2018 General Assembly

Committee:	Senate Rules and Operations of the Senate	Date:	May 9, 2017
Introduced by:	Sen. Brown	Prepared by:	Cindy Avrette Staff Attorney
Analysis of:	First Edition		

OVERVIEW: *Senate Bill 468 would expand the purposes for which the State Board of Education may award the State's allocation of Qualified Zone Academy Bonds (QZABs), but it must prioritize the awards so the allocation is first used in Tier 1 counties.*

CURRENT LAW: In 1997, Congress created QZABS to help school districts with low-income populations save on interest costs associated with borrowing funds for specified purposes.¹ QZABS are tax credit bonds; they are not interest-bearing bonds. Instead, a taxpayer holding a tax credit bond is allowed a credit against federal income tax equivalent to the interest that the bond would otherwise pay.² There is an annual cap allocated among the states based on their respective populations of individual's below the poverty line. North Carolina's QZAB allocation for 2017, as of 4/13/17, is \$26.58 million.

The State Board of Education (SBE) is designated as the State agency in North Carolina for administering the QZAB program. G.S. 115C-489.6(a) specifically limits the purposes for which QZABS may be awarded to the rehabilitation or repairing of the public school facility, including wiring and other infrastructure improvements related to technology and related equipment. The SBE must define the areas and schools eligible under federal law to participate; design an application process to solicit proposals; determine the eligibility of an applicant; award the State's allocation of funds; establish the conditions of the use of the funds; and confirm that the terms of any QZAB bonds issued are consistent with federal law.

BILL ANALYSIS: Senate Bill 468 would expand the purposes for which QZABS may be issued to include all the permissible uses of a QZAB allocation under federal law. Those additional purposes would include, in addition to rehabilitation or repairing of a school facility, equipment, course materials, and teacher training. However, the SBE must prioritize the award of the State's allocation so that the QZAB funds are first used in Tier 1 counties.³ The SBE must establish an application process and require any information needed to allow the SBE to accomplish the prioritization and efficient use of the bond proceeds.

EFFECTIVE DATE: The bill is effective when it becomes law and applies to bond proceeds used on or after that date.

Drupti Chauhan, counsel to Senate Education Committee, substantially contributed to this summary.

¹ 26 U.S.C. 54E.

² The bondholder must include the amount of the credit in gross income and treat it as interest income. The credit effectively replaces the interest that would be paid on an exempt bond, allowing the issuer to borrow interest-free.

³ G.S. 143B-437.08.

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