



The Commonwealth and ARRA Bond Programs

**Oversight Commission Meeting
December 3, 2009**

Presented by:

The Department of Education
The Department of Community and Economic Development
The Governor's Office of the Budget

Department of Education

- Qualified School Construction Bonds (QSCB)
 - 2009: \$315,737,000
- Qualified Zone Academy Bonds (QZAB)
 - 2008: \$ 13,941,000
 - 2009: \$ 48,793,000

The Pennsylvania State Public School Building Authority (SPSBA) will issue QSCB and QZAB to finance eligible projects.

Department of Education

Initial Offering Criteria:

- QSCB and QZAB

High tax effort/high poverty: A school district's 2007-2008 equalized millage must be greater than or equal to 19.0 and its October 2008 Free and Reduced Lunch percentage must be greater than or equal to 45%.

- QSCB

Growing school districts: A school district's average daily membership must have increased between 2002-2003 and 2007-2008 by more than 500 or by more than 10%.

Department of Education

QZAB Requirements:

- Use of funds: 98% of the bond proceeds are to be used for renovation, repair or rehabilitation of facilities or for equipment to be used at the academy.
- Private business contribution: The school district must receive written commitments from private entities to make qualified contributions having a present value (as of the date of issuance of the bond issue) of not less than 10% of the proceeds of the bond issue.

Department of Education

Types of Projects:

- Creating sustainable schools – increasing energy efficiency; improving water conservation, reducing green house gas emissions, improving indoor environmental quality; and reducing waste.
- Creating or renovating space for high-quality pre-school, full-day kindergarten, and/or reducing class size in the early grades.
- Creating or renovating space for Science, Technology and Mathematics (STEM) programs.
- Correcting health and safety deficiencies, including school building security upgrades and building code violations.



For additional information from
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Recovery Zone Facility Bonds


- Issue before January 1, 2011
- State allocation: \$231,012,000
- Pennsylvania Economic Development Financing Authority (PEDFA) will issue Facility Bonds to finance projects.
- PEDFA is working with their regular PEDFA Composite Pool underwriter for issuance scheduled for April, July and December 2010.
- County Commissioners were informed of PEDFA Pool and provided the option to revert allocation to the commonwealth for reallocation.
- Process in development for reallocations and for tracking usage.

Recovery Zone Economic Development Bonds

- Issue before January 1, 2011
- State allocation: \$154,008,000
- DCED is working with an underwriter on a strategy for issuing Economic Development Bonds.
- In summary, PEDFA has not issued any Facility Bonds or Economic Development bonds to date and no allocation has yet been waived. However, inquiries have been made regarding potential projects. For example:
 - Facility Bonds: a warehousing and distribution facility.
 - Economic Development Bonds: A county emergency and office center.

Qualified Energy Conservation Bonds

- Issue before January 1, 2011
- State allocation: \$129,144,000
- Commonwealth's QECB allocation has allocated to potential projects.
- DCED is working with an underwriter on bond financing structures, including an allocation recapture process.
- DCED is collaborating with DGS in using QECBs for qualified Guaranteed Energy Savings Act (GESAs) projects.
- County Commissioners and Industrial Development Authorities were informed of the county and large government allocation.



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Office of the Budget

Build America Bonds

- Issue before January 1, 2011
- Issuer sells taxable bonds, rather than traditional tax-exempt.
- Issuer receives 35% direct subsidy from IRS (equal to 35% of interest cost).
- No aggregate cap on issuance levels.
- Qualified bonds must meet most of the traditional tax-exempt issuance criteria and must be spent on Capital expenditures.

Office of the Budget

Commonwealth Use of BABs:

- Commonwealth Financing Authority issued \$400 million as BABs in October 2009.
- Commonwealth of PA expects to issue nearly \$800 million in general obligation bonds early in 2010 for capital projects.
- Of the general obligation bonds and based on current interest rates, Office of the Budget expects two thirds of the upcoming issuance will be BABs.



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