

**ARKANSAS DEPARTMENT OF EDUCATION
RULES AND REGULATIONS GOVERNING THE ALLOCATION OF
QUALIFIED ZONE ACADEMY BONDS**

November 2000

1.0 REGULATORY AUTHORITY

- 1.01 These rules and regulations shall be known as the Arkansas Department of Education Rules and Regulations Governing the Allocation of Qualified Zone Academy Bonds (QZAB).
- 1.02 These rules and regulations are enacted pursuant to the State Board of Education's authority under Arkansas Code Annotated §6-11-105.

2.0 PURPOSE

The purpose of these rules and regulations is to provide the Arkansas Department of Education (ADE or the Department) with the methodology for allocating QZABs.

3.0 QZAB ALLOCATION COMMITTEE

- 3.01 The ADE QZAB Allocation Committee (Committee) shall consist of these members:
 - A. Assistant Director for Public School Finance and Administrative Support
 - B. Associate Director for Finance
 - C. Program Manager, Loans and Bonds
 - D. Program Manager, School Plant
 - E. Program Manager, Local Fiscal Services
 - F. Program Manager, Financial Accountability
 - G. Program Manager, School Improvement Unit
 - H. ADE Staff Legal Counsel
- 3.02 The Committee shall meet within thirty (30) days prior to the April, August and December meetings of the State Board Education (SBE) to consider any QZAB applications that have been submitted to the ADE Loans and Bonds Unit.

4.0 DEBT ISSUES

- 4.01 QZABs shall meet all United States Department of Treasury guidelines.
- 4.02 QZAB allocations may only be used for eligible purposes as prescribed by federal law.
- 4.03 QZABs shall comply with all laws of the State of Arkansas and with all ADE rules and regulations.
- 4.04 QZABs may be issued in the form of bonded and non-bonded debt including, but not limited to, commercial bonds, second lien bonds, postdated warrants, lease purchases, or installment contracts.
- 4.05 For purposes of calculating state aid, including debt service funding supplement, QZABs shall be considered in accordance with the type of debt instrument utilized.

5.0 APPLICATION PROCESS

- 5.01 The Department is authorized to revise the application form as needed. The most current, dated revision of the application form will be posted to the ADE website and will be available from the ADE Loans and Bonds Unit.
- 5.02 The application shall not supercede any rules and regulations governing the issuance of loans and bonds applications.
- 5.03 The application shall be submitted to the ADE Loans and Bonds Unit.
- 5.04 Applications for QZAB allocation will be reviewed three times a year, in conjunction with the April, August, and December meetings of the SBE.
- 5.05 All applications and related documents must be received by the Loans and Bonds Unit thirty (30) days before the regularly scheduled April, August, and December meetings of the SBE. If thirty (30) days before the scheduled meeting date falls on a holiday or weekend, the deadline for filing shall be extended to the next business day. QZAB applications received after this date will be considered in the next application cycle.

6.0 APPLICATION REVIEW PROCEDURE

- 6.01 All applications will be reviewed for compliance with Federal law, Arkansas law, and ADE rules and regulations.
- 6.02 If an application is deemed not in compliance, the Committee shall not approve authority for QZAB financing.
- 6.03 A district may submit only one application per allocation cycle. The application may be for more than one school site, qualified zone academy, or program. The application must provide a Program Description, a Project Funding statement, and an Assurance of Private Contribution for each academy or program.
- 6.04 The school district shall complete the application in its entirety and shall provide all certifications requested.

7.0 ALLOCATION PROCEDURE

- 7.01 ADE shall always allocate QZABs with the nearest expiration date first. Once the entire amount associated with the nearest expiration date has been allocated, the ADE will then allocate the next year's QZABs, as allowed by law.
- 7.02 First Allocation of QZABs:
 - 7.02.1 ADE will begin accepting applications February 1, 2001. This will be announced via Director's Memo and the ADE Website. These applications will be presented to the SBE for approval at the April 2001 meeting.
 - 7.02.2 The total first allocation will be limited to no more than the \$4.625 million authorized for 1998.
- 7.03 Second Allocation of QZABs:
 - 7.03.1 The second application process will be scheduled to commence 29 days prior to the April 2001 meeting of the SBE and will conclude thirty days prior to the August 2001 SBE meeting.
 - 7.03.2 The second allocation will be limited to any remaining 1998 allocation and no more than the \$5.433 million authorized for 1999.

- 7.04 All subsequent allocations of authority to issue QZABs will offer the full balance remaining at the time of the application.
- 7.05 Allocation Process:
 - 7.05.1 Each approved applicant will be authorized to issue up to \$250,000 of QZAB debt.
 - 7.05.2 If the individual applicant request is less than or equal to \$250,000 the full request will be allocated.
 - 7.05.3 For all applicant requests that exceed \$250,000, the total amount in excess of the \$250,000 will be summed.
 - 7.05.3.1 If this sum is less than the total allocation remaining after the 7.05.1 allocation, each applicant will receive the full allocation requested.
 - 7.05.3.2 If this sum exceeds the total allocation remaining after the 7.05.1 allocation, each applicant will receive a pro-rata share of the sum of the amount in excess of \$250,000 and the balance of authorization remaining after the 7.05.1 allocation.
 - 7.05.4 If the amount of available allocation is insufficient to award all approved applicants up to \$250,000, the amount used in Sections 7.05.1 – 7.05.3 will become \$100,000. If the amount of available allocation is insufficient to award all approved applicants up to \$100,000, the Committee will determine an appropriate level for allocation.
- 7.06 If a school district receives less than the full amount applied for in the allocation process, the district will be notified subsequent to the Committee decision and prior to the SBE meeting. The district has the right to withdraw the application in its entirety. The amount allocated to this district will be carried over to the next allocation period.
- 7.07 The ADE Loans and Bonds Unit will notify each district in writing of the amount of allocation awarded following the SBE review.
- 7.08 The Committee shall allocate all QZAB authorizations prior to the expiration date of the QZAB authorizations. The Department is specifically authorized to hold a special application cycle, to adjust the Allocation Process in Section 7.05, or to re-allocate QZAB authorizations made available in Section 7.06.

8.0 GENERAL PROVISIONS

- 8.01 QZABs shall not be refunded, refinanced, or restructured.
- 8.02 Data from the State Information System will be utilized on a school by school basis for the purpose of determining compliance with the thirty-five percent (35%) free or reduced lunch eligibility requirement.
- 8.03 QZAB allocations will be awarded based on the information submitted in each application. If there is any material change to information presented in the application, the district shall not issue the QZAB and the previously granted allocation shall be forfeited. The district may submit a new application in the next application cycle.