AMERICAN ASSOCIATION OF SCHOOL ADMINISTRATORS

Fact Sheet: Qualified School Constructions Bonds

Qualified School Construction Bonds (QSCBs) were introduced in the American Recovery and Reinvestment Act of 2009 (P.L. 111-5) and have a national limit of $11 billion in each of 2009 and 2010. As tax-credit bonds, they offer investors an annual federal tax credit covering most, if not all, of the annual return required by investors. This much deeper federal subsidy conserves local tax dollars for other purposes. The bonds are allocated:

- 40 percent to the 100 largest local education agencies (LEAs) based on the number of children living below the poverty level; and
- 60 percent to states and territories based on the state's share of Title 1 Basic Grants, which the States then sub-allocate to school districts or issue themselves. Each state's share of the 60 percent is reduced by the LEA allocations.

Bond proceeds must be used for constructing, rehabilitating or repairing a public school facility, or acquiring land for a public school. Proceeds must be spent within three years, un-issued allocations may be carried forward by the State for one year, and Davis-Bacon rules requiring the payment of prevailing wages apply.