



COMMONWEALTH of VIRGINIA

Office of the Governor

Belle S. Wheelan, Ph.D.
Secretary of Education

September 20, 2002

TO: School Division Superintendents

FROM: Belle S. Wheelan, Ph.D.

SUBJECT: Private Activity Bond Allocations for Educational Facilities

The Economic Growth and Tax Relief Reconciliation Act of 2001 created a new financing vehicle for public school facility improvements. The Tax Act permits private entities partnering with public schools to enjoy a capital cost subsidy to be provided by a new type of tax-exempt private activity bond for public school facilities. The 2002 General Assembly authorized the Secretary of Education to make allocations of Virginia's portion of this bond limitation amount.

The new bonds must be used to finance a public elementary or secondary school facility to be owned by a private, for-profit corporation pursuant to a public-private partnership agreement with a state or local educational agency. The term "school facility" means a school building, any functionally related and subordinate facility and land with respect to such buildings, and any other depreciable property for use in such facilities.

Under the public-private partnership agreement, the corporation must agree to 1) construct, rehabilitate, refurbish, and/or equip a school facility, and 2) transfer the school facility to the educational agency for no additional consideration at the end of the term of the agreement. The new bonds have a volume limit equal to \$10 per resident, or about \$70 million for Virginia, in any calendar year, beginning in 2002.

Because of the short timeframe for using this year's allocation, we are asking that you submit an application to request this financing only if you can identify a private partner and obtain a letter of commitment from that partner by November 1, 2002. Your application – in the form of a letter – should include the project name and description, to include the location of the project and the initial owner (private

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partner); the issuing entity; and the amount of bond allocation requested. This application along with a copy of the letter of commitment from the private partner must be received by the Secretary of Education no later than November 1, 2002.

No later than November 29, 2002, we will need for you to provide a copy of the inducement resolution from the issuing authority; resolution from the local school board; and a resolution from the governing body (including the public hearing date) authorizing the debt financing.

The applications will be reviewed and the allocations will be determined no later than December 15, 2002. If your application is approved for an allocation, we will notify you by December 15.

Please **submit your application to the Secretary of Education by November 1, 2002**, and the additional materials no later than November 29, 2002. If you have any questions please call Mr. Dan Timberlake at the Virginia Department of Education, 804-225-2025.

BSW/jbh

c: The Honorable John H. Chichester
The Honorable Vincent F. Callahan Jr.
The Honorable William H. Leighty
The Honorable John M. Bennett
Dr. Jo Lynne DeMary