



COMMONWEALTH of VIRGINIA

Department of the Treasury

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MEMORANDUM

TO: School Division Superintendents and
Local Government Chief Administrative Officers

FROM: Evelyn R. Whitley, Director of Debt Management *EWhitley*

SUBJECT: Updated Information Relating to Applications for Competitive Awards of
Qualified School Construction Bond Allocations

The Virginia Public School Authority (VPSA) has received new guidance as to the use of Qualified School Construction Bonds (QSCB) to reimburse project expenditures or to refinance interim financing arrangements made with regard to qualifying energy projects. This information could allow consideration of energy projects already completed or underway that previously may have been viewed as ineligible for financing under this program.

The materials provided with the *Application for Competitive Awards of CY 2009 QSCB Allocation* (specifically the *Q & A* and *Project Notice*) included statements that QSCBs cannot be used to refinance existing debt or other interim financing arrangements. However, **if such arrangement was executed on or after July 8, 2009, it may be eligible for refinancing through the Commonwealth's QSCB bond program for energy efficiency projects.**

This more liberal interpretation is permitted due to action taken by the VPSA at their meeting on July 8, 2009. At that meeting, the Authority adopted a reimbursement resolution relating to the initial series of QSCBs for First Priority Waiting List projects. That resolution has the unexpected benefit of being applicable to any QSCBs issued under the 2009 allocation to the Commonwealth, and thus, permits the VPSA to "reach back" to July 8, 2009 for reimbursement or interim financing purposes.

Any such interim financing (1) cannot be a qualified tax credit bond (this would be highly unlikely) and (2) must otherwise meet the requirements for qualifying expenditures for QSCB financing. (Note also that the IRS has issued no regulations to interpret the Internal Revenue Code sections authorizing QSCBs, so there is a possibility that the IRS could issue guidance contrary to the criteria above. VPSA will alert you if any such guidance is issued.)

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As a reminder, school divisions and local governments can submit project applications through November 11, 2009 using an application now available on the Department of Education website at http://www.doe.virginia.gov/funding_grants/arra/competitive/index.shtml.

If you have any questions, please contact me at (804) 371-6006 or Rick Davis at (804) 225-4928.

c: Manju S. Ganeriwala
Dr. Patricia I. Wright, Superintendent of Public Instruction
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