



May 28, 2010

**Alert to Georgia Council of School Board Attorneys**  
*State of Georgia awards first round of interest free bonds to local school districts and announces application process for remaining funds*

On February 17, 2009, President Obama signed into law the American Recovery and Reinvestment Act of 2009 (the Stimulus Act). Pursuant to the Stimulus Act, a new category of tax credit bonds was created to finance the construction, rehabilitation and repair of public school facilities or the acquisition of land on which a public school facility will be constructed. These new bonds are called "Qualified School Construction Bonds" (QSCBs). On March 18, 2010, President Obama signed into law the Hiring Incentives to Restore Employment (HIRE) Act. The HIRE Act made significant changes to QSCBs, including the conversion of QSCBs from tax credit bonds to new taxable bonds with the federal government agreeing to pay 100% of the interest costs on the bonds in most circumstances.

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**Thus, school districts in Georgia now have a limited time to issue taxable bonds to finance public school facilities without paying any interest on the bonds.**

King & Spalding served as bond counsel on the only QSCB issue in Georgia that closed and is uniquely qualified to assist school districts in structuring a QSCB and complying with new IRS rules relating to QSCBs. Our issuer client saved over \$7 million in debt service on a \$18,985,000 par amount on the transaction. The rules on how QSCBs are structured and sold are complex; however, the benefits to local school districts are substantial, and in the vast majority of cases, far outweigh the burdens.

On May 26, the Georgia State Financing and Investment Commission (GSFIC) approved a resolution allocating more than \$140 million of QSCBs to 13 school systems throughout Georgia. GSFIC also approved the application process for the remaining \$307 million in QSCBs and \$107 million in Qualified Zone Academy Bonds (QZABs), which also provide 100% interest rate subsidies for bonds.

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## Client Alert



### Public Finance Practice Group

King & Spalding attorneys have been involved in the formation of both programs and can assist school districts in the application process with the State of Georgia and the issuance of QSCBs or QZABs.

If you have any questions or wish to discuss any further aspects of these new financing tools for Georgia school districts, please contact one of our public finance partners listed above.

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