



COMMONWEALTH of VIRGINIA

Office of the Governor

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

September 28, 2004

The Honorable Vincent F. Callahan Jr.
Chairman
House Appropriations Committee
P.O. Box 1173
McLean, Virginia 22101

Dear Delegate Callahan:

Pursuant to Item 135, Paragraph C. of the Appropriation Act, I write to bring you up to date on activity relating to tax-exempt private activity bond allocations to the Commonwealth of Virginia for qualified public educational facilities pursuant to the Economic Growth and Tax Relief Reconciliation Act of 2001 of the Internal Revenue Code of 1986.

The 2001 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 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 in any calendar year. For calendar year 2004, Virginia's portion of the bond limitation amount

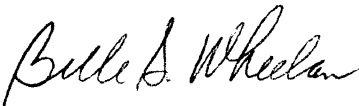
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is \$73.4 million. Because we carried forward the volume limit from two previous years, we have \$218.2 million currently available for issuance.

To date, this office has received no requests for this new bond authority. I will let you know if I hear anything from any of the school divisions.

Please let me know if you have questions about this letter. I look forward to continuing to work with you on this program.

Sincerely,


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

cc: The Honorable John H. Chichester
The Honorable William H. Leighty
The Honorable John M. Bennett
Ms. Elizabeth B. Daley
Mr. Robert P. Vaughn