# Superintendent’s Memo #180-19


**COMMONWEALTH of VIRGINIA
Department of Education**

DATE: July 26, 2019

TO: Division Superintendents

FROM: James F. Lane, Ed.D., Superintendent of Public Instruction

## SUBJECT: Update on Literary Fund First Priority Waiting List, Availability of Literary Funds for Direct Loans, and New Interest Rate Subsidy Program

* This memorandum is to provide you with an update on the Literary Fund First Priority Waiting List and availability of funding from the Literary Fund through direct loans and through a new interest rate subsidy program.
* At its July 25, 2019, meeting, the Board of Education approved an updated [First Priority Waiting List](http://www.doe.virginia.gov/support/facility_construction/literary_fund_loans/1litlonfirstprior.xlsx). Please note that the updated waiting list of Literary Fund projects is significantly reduced as projects have received loan funding or school divisions have requested that projects be removed from the waiting list. Currently, 13 projects from five divisions totaling $41.5 million in loan requests are pending on the waiting list.
* Item 136.C.11.b. of the 2019 Appropriation Act (Chapter 854) authorizes $30.0 million in Literary Funds for direct loans for projects on the Board of Education’s First Priority Waiting List. Literary Fund loans are provided to school divisions based upon the order of projects on the First Priority Waiting List. The Virginia Department of Education (VDOE) will continue contacting school divisions with projects on the waiting list to assess whether the division is ready to proceed with a loan release, opts to defer a loan release, or requests that a project be removed from the waiting list.

School divisions that wish to have a project considered by the Board of Education for the First Priority Waiting List must submit an application for a Literary Fund loan to VDOE. Information related to the application process can be found on the [Literary Fund webpage](http://www.doe.virginia.gov/support/facility_construction/literary_fund_loans/index.shtml).

Also, at its July 25, 2019 meeting, the Board of Education approved guidelines for a new interest rate subsidy program pursuant to [Senate Bill 1093](http://lis.virginia.gov/cgi-bin/legp604.exe?191+ful+CHAP0807) and language in Item 136.C.11.b. of the 2019 Appropriation Act for projects on the First Priority Waiting List and targeted at school divisions with lower composite indices. The program guidelines are in Attachment A. These guidelines will be posted to the [Virginia Regulatory Town Hall website](http://www.townhall.virginia.gov/)for a thirty day comment period, as required by § [2.2-4002.1](https://law.lis.virginia.gov/vacode/title2.2/chapter40/section2.2-4002.1/) of the *Code.*  After the 30 day comment period, these guidelines will become effective, unless substantive public comments are received, in which case, the effective date of the guidelines will be delayed.

The subsidy program operates in combination with the Virginia Public School Authority’s (VPSA) Pooled Bond Program, with the subsidy funds allowing the principal amount a division would borrow from VPSA at market interest rates to be reduced so that the overall debt service cost of the borrowing is equivalent to what the division would pay on a direct Literary Fund loan. Please note that projects that have previously been financed from another source are ineligible for the program. The appropriation act authorizes $5.0 million in Literary Funds be used for the new interest rate subsidy program in fiscal year 2020. The subsidy amount is considered a grant and is provided to divisions through reimbursements of qualifying project costs.

Under the new subsidy program, the percentage of the subsidy is based upon the division composite index. School divisions with a composite index of 0.2500 or less are eligible for a 100 percent subsidy. School divisions with a composite index greater than 0.2500 but less than 0.4000 are eligible for a 50 percent subsidy. The subsidy is based on the interest rate a school division can receive through a Literary Fund loan (based on [8VAC20-100-140](https://law.lis.virginia.gov/admincode/title8/agency20/chapter100/section140/) of the Virginia Administrative Code) and the market rate of interest realized on the VPSA Pooled Bond issuance.

VPSA and VDOE are working towards first offering the new subsidy program as part of VPSA’s Spring 2020 Pooled Bond Program. Additional information, including application timelines and process, will be provided in subsequent communications later this fall.

Considering the reduced number of projects and associated funding requests pending on the First Priority Waiting List, as well as the current availability of Literary Funds for direct loans and the new interest rate subsidy program, your division is encouraged to apply to the Literary Fund for financing of eligible projects if your division is eligible for lower Literary Fund interest rates that would be financially beneficial to the division.

If you have any questions related to this memorandum, please contact Kent Dickey, Deputy Superintendent of Budget, Finance, and Operations at (804) 225-2025, or the Budget Office at DOEBUDGETOFFICE@doe.virginia.gov.

JFL/eml

Attachment

A: [Literary Fund Interest Rate Subsidy Program Guidelines](http://www.doe.virginia.gov/administrators/superintendents_memos/2019/180-19a.docx) (WORD)