| **Virginia Board of Education Agenda Item** | **Seal of the Commonwealth of Virginia** |
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# Agenda Item: C

## Date: March 22, 2018

### Title: First Review of Recommendations Concerning Literary Fund Applications Approved for Release of Funds or Placement on a Waiting List; Update to the First Priority Waiting List

#### Presenter: Mr. Kent C. Dickey, Deputy Superintendent for Finance and Operations

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## Purpose of Presentation:

Action required by state or federal law or regulation.

## Executive Summary:

The Literary Fund provides low-interest loans for new school construction and for additions or permanent improvements to existing schools to help provide students with a safe and secure environment in which to learn. In accordance with the provisions of the *Code of Virginia*, Chapter 10, Section 22.1-142, the Board of Education is responsible for the management of the Literary Fund. This item reflects an update to the First Priority Waiting List for the removal of a school project in Lee County from the list and the recommended release of Literary Fund loans for two school projects in Wythe County.

Attachment A reflects a revised Literary Fund First Priority Waiting List, updated to remove one school project from the Waiting List, Dryden Elementary School in Lee County. This project had been on the Waiting List since July 2008. However, it was previously financed in spring 2013 through the Virginia Public School Authority Pooled Bond Program and needs to be removed from the Waiting List. The Waiting List is also updated for the release of Literary Fund loans for two school projects in Wythe County.

Attachment B documents the Lee County school project that has been removed from the First Priority Waiting List as of March 2018.

Attachment C lists two Literary Fund applications for school projects in Wythe County that are recommended for release of Literary Fund loans.

This item aligns with Board of Education Goals: Priority 1: Provide high-quality, effective learning environments for all students.

## Action Requested:

Other. Specify below:

The Board is requested to waive first review and approve for final review.

## Superintendent’s Recommendation:

The Superintendent of Public Instruction recommends that the Board of Education waive first review and approve the actions reflected in Attachments A through C and as described in the section below, “Background Information and Statutory Authority.”

## Rationale for Action:

Current projections of Literary Fund revenues and expenditures support the Department of Education offering up to $21.3 million in school construction loans from the Literary Fund during fiscal year 2018. The First Priority Waiting List must also be updated to reflect the removal of the Dryden Elementary School project in Lee County so that the waiting list reflects projects currently eligible for loans.

## Previous Review or Action:

No previous review or action.

## Background Information and Statutory Authority:

School divisions that have successfully completed the application process for a low-interest loan from the Literary Fund for new construction or renovation are placed on one of two waiting lists. The Literary Fund regulations of the Board of Education establish two priorities for the Literary Fund Waiting Lists. These priorities are as follows:

Priority 1: Applications from localities having a composite index less than 0.6000 and indebtedness (including the application considered for release of funds) less than $20 million to the Literary Fund.

Priority 2: Applications from localities having a composite index of 0.6000 or above or an indebtedness (including the application considered for release of funds) of $20 million or greater to the Literary Fund.

To the extent funds are available, a recommendation for initial release of funds is presented for projects currently on the First Priority Waiting List or otherwise eligible for priority funding. The maximum loan amount from the Literary Fund is $7.50 million. To the extent funds are not available, new requests for the initial release of Literary Funds cannot be approved. As a result, such requests must be deferred and placed on either the First or Second Priority Waiting List in accordance with the Literary Fund regulations.

Two items require action by the Board of Education:

1. An update to the First Priority Waiting List for the removal of the Dryden Elementary School project in Lee County from the waiting list. This project was previously financed through the Spring 2013 Virginia Public School Authority (VPSA) Pooled Bond Program and needs to be removed from the waiting list since projects financed through the VPSA pooled program may not be refinanced per requirements of that program. Consequently, the VPSA represents the financing for this project so that the project should be removed from the Waiting List.
2. Approve the release of loans for the Rural Retreat High School and Rural Retreat Middle School projects in Wythe County, which were placed on the First Priority Waiting List in October 2008 and are priority number four and five, respectively, on the current First Priority Waiting List. The Rural Retreat High School project is eligible for a $7.5 million loan, and the Rural Retreat Middle School project is eligible for a $2.6 million loan.

Both of these renovation projects were completed using an initial local borrowing. The proceeds from the Literary Fund loans will be used by Wythe County to refinance the initial local borrowing used to finance the original renovation cost at the lower Literary Fund interest rate of two percent. Under the *Code*, Literary Fund loan proceeds may be used to refinance prior local debt used for the initial financing of Literary Fund projects. Since these projects are ready to proceed with release of the Literary Fund loans, they are being presented to the Board ahead of projects number one and two on the Waiting List. (Note: project number three, Dryden Elementary School in Lee County, is recommended for removal from the First Priority Waiting List as recommended in action number one above). However, sufficient Literary Fund revenue is currently available for projects number one and two if those localities proceed with release of their loans within a reasonable time-frame.

## Timetable for Further Review/Action:

As funds become available in the Literary Fund, recommendations will be made to the Board for funding priority projects and for those projects at the top of the First Priority Waiting List, with the cash balance reduced as loan requests are processed. Based on the availability of funds, initial release of funds will be made or projects will be deferred and placed on the Waiting Lists. It is anticipated additional requests for release of Literary Fund loans for projects on the First Priority Waiting List will come before the Board in subsequent months.

## Impact on Fiscal and Human Resources:

Current Board policy provides that, upon initial release of funds, Literary Fund cash is reduced in the total amount of the approved loan to assure that cash is available as required for project completion or for refinancing of a previous local borrowing. The disbursement of funds is based on actual invoices or other evidence of bills due and payable from the Literary Fund.