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

## Date: November 15, 2018

## Title: Final 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 recommended release of Literary Fund loans for a school project in Giles County.

Attachment A reflects a revised Literary Fund First Priority Waiting List, updated for the release of a Literary Fund loan for a school project in Giles County.

Attachment B shows a Literary Fund application for a school project in Giles County that is recommended for release of a Literary Fund loan.

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

## Action Requested:

Final review: Action requested at this meeting.

## Superintendent’s Recommendation:

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

**Rationale for Action:**

Fiscal year 2018 projections of Literary Fund revenues and expenditures support the Virginia Department of Education offering up to $21.3 million in school construction loans from the Literary Fund. Currently, only $10.0 million in loans have been issued. This allows the Board of Education to approve the release of up to $11.3 million in additional loans from the Literary Fund.

**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.

The following item requires action by the Board of Education:

Approve the release of a loan for the Giles County Technical Center in Giles County, which was placed on the First Priority Waiting List in April 2009 and is priority number three on the current First Priority Waiting List. The Giles County Technical Center project is eligible for a $7.5 million loan for qualifying costs.

This renovation project was completed using an initial local borrowing. The proceeds from the Literary Fund loan will be used by Giles 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 the Giles County project is ready to proceed with release of the Literary Fund loan, and the school divisions with projects ranked one and two on the First Priority Waiting List have confirmed that they wish to continue to defer release of their loans, the Giles County project is being presented to the Board ahead of projects number one and two on the Waiting List.

## 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.

## 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.