# Agenda Item: C

## Date: May 11, 2023

## Title: Final Review of Recommended Grant Awards for School Project Applications Submitted to the School Construction Assistance Program

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

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## Purpose of Presentation:

Action required by state or federal law or regulation.

## Executive Summary:

The 2022 Special Session I General Assembly and Governor Youngkin created the School Construction Assistance Program, providing $450 million in fiscal year 2023 state funds to support competitive grants for new school construction, additions, and major building renovations. The appropriation act requires the Board of Education (“Board”) to develop [guidelines](https://www.doe.virginia.gov/home/showpublisheddocument/42696/638126784526530000) for implementing the program in the 2022-2024 biennium, to include competitive scoring criteria indicating poor building conditions, commitment, and need. The Board’s guidelines were completed in January 2023, and include 11 scoring criteria and associated point values as shown in Attachment 1.

The Board is required to set a minimum qualifying score for a school project to qualify for a grant award based on the Board-developed scoring criteria, which the Board set in its guidelines at 65 points on a 100-point scale. If qualifying grant award requests exceed the amount of funds available, grants are awarded based on ranked-ordered project scores.

The Virginia Department of Education (“VDOE”) conducted an open application process from February 24 through March 31 for school divisions to apply for grants from the School Construction Assistance Program, with 119 grant applications submitted. Following the close of the open application period, VDOE staff reviewed the submitted grant applications and scored all applications against the 11 competitive criteria in the guidelines.

Under the program, public school construction, additions, or major renovation projects meeting the following three criteria qualify to be submitted to the VDOE for funding: (i) those projects that are either in the local planning phase or already planned as documented in a currently-approved local Capital Improvement Plan (CIP); (ii) those projects that lack sufficient funding or financing to cover the full cost projected for the project; and (iii) those projects for which construction has not yet started. The Board’s guidelines also allow school divisions to submit applications for grant funding for school projects where construction began on or after July 1, 2022.

Grants for awarded school projects are based on 10, 20, or 30 percent of approved project costs (project costs not exceeding $100,000,000), with the percentage determined by the school division’s local composite index and the fiscal stress category as designated by the Virginia Commission on Local Government for the locality containing the school division.

After the submitted grant applications are reviewed and scored against the criteria in the guidelines, the VDOE recommends funding awards to the Board. The Board is required by the appropriation act to approve the grant awards to school divisions. This item requests the Board to approve the recommended grant awards for school projects which meet the 65-point minimum qualifying score on the competitive criteria. These projects, their criteria point total, and their recommended grant award are shown in Attachment 2. Overall, the recommended grant awards total $365.3 million for 40 approved school projects in 28 divisions.

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 waive First Review and approve the recommended grant awards for the school projects as shown in Attachment 2.

## Rationale for Action:

VDOE staff have reviewed, verified, and scored the criteria data in all submitted grant applications against the competitive scoring criteria, and the rank-ordered scoring totals by school project shown in Attachment 2 are considered final on which to base the grant awards.

## Previous Review or Action:

No previous review or action.

## Background Information and Statutory Authority:

The School Construction Assistance Program was created at the 2022 Special Session I of the General Assembly in the 2022 Appropriation Act (i.e., Chapter 2, Item 137, Paragraph C.43). Item 137, Paragraph C.43. provides appropriations for the program in fiscal year 2023 of $400 million from the general fund and $50 million from the Literary Fund to be transferred into the School Construction Fund for the Board of Education to award grants on a competitive basis to local school boards that demonstrate poor building conditions, commitment, and need for such school boards to fund the construction, expansion, or modernization of public school buildings. Any unobligated appropriation balance for the program on June 30, 2023, is reappropriated in fiscal year 2024 for the same purpose.

Board guidelines for the program were completed in January 2023 to implement the appropriation act provisions during the 2022-2024 biennium. Grants for awarded public school projects are based on 10, 20, or 30 percent of approved project costs (project costs not to exceed $100,000,000 for purpose of grant funding), with the percentage determined by the school division’s local composite index and the fiscal stress category as designated by the Virginia Commission on Local Government for the locality that contains the school division, as follows:

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| --- | --- |
| School divisions with a local composite  index value below 0.3000, or contained in a  locality designated with High fiscal stress | 30 percent of approved project costs |
| School divisions with a local composite  index value at or above 0.3000 and below  0.4000, or contained in a locality designated  with Above Average fiscal stress | 20 percent of approved project costs |
| All other school divisions | 10 percent of approved project costs |

For the purpose of this program, “project costs” include reasonable and allowable project construction costs, including planning, design (architectural and engineering), site acquisition, construction phase costs involving the core building structure and related site work, but do not include most financing costs (such as closing costs, legal counsel and financial advisor costs, and annual debt service for principal and interest payments that has already begun to be paid), outdoor facilities predominantly used for extracurricular athletic activities, loose equipment, and furniture. However, the principal-only portion of future debt service payments not yet begun on school projects where construction is pending or just begun is an allowable project cost with grant funding when the school division can document that other allowable project costs were incurred during the construction phase in an amount at least equal to the amount of grant funds that would be applied towards future principal-only payments for the project financing.

The information submitted by school divisions in the online grant application is only for those criteria for which VDOE does not already have information available. In responding to criteria on “project type” and “school building condition” in the online application, the VDOE provided definitions guides to school divisions to assist with their responses to those items.

## Timetable for Further Review/Action:

Contingent on the Board’s approval of the recommended grant awards shown in Attachment 2, the VDOE will provide written notification to school divisions awarded grants under the program, at which time the grant funds will be available to pay qualifying project costs for awarded projects. The VDOE will disperse grant funds to school divisions for qualifying project costs already incurred or due and payable. Divisions will be required to submit documentation on qualifying project costs prior to the VDOE disbursing grant funds to them.

After award of the current grant recommendations, additional funds will remain from the $450 million appropriation and allow the VDOE to conduct another open application period later this calendar year for school divisions to submit grant applications for funding consideration. Each school project may only receive one grant award under the program.

## Impact on Fiscal and Human Resources:

Funds for this program are being placed in a non-reverting, non-general fund account as intended by the General Assembly to allow grant funds to be awarded and expended over the 2022-2024 biennium. The VDOE can absorb the administrative workload for this program with existing staff.