

# Virginia Board of Education Agenda Item



**Agenda Item: D**

**Date:** April 24, 2014

|                  |  |              |                |
|------------------|--|--------------|----------------|
| <b>Title</b>     | Final Review of Financial Report on Literary Fund                              |              |                |
| <b>Presenter</b> | 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.

**Previous Review or Action:**

No previous review or action.

**Action Requested:**

Final review: Action requested at this meeting.

**Alignment with Board of Education Goals: Please indicate (X) all that apply:**

|   |  |
|---|--|
|   | Goal 1: Accountability for Student Learning                        |
|   | Goal 2: Rigorous Standards to Promote College and Career Readiness |
|   | Goal 3: Expanded Opportunities to Learn                            |
|   | Goal 4: Nurturing Young Learners                                   |
|   | Goal 5: Highly Qualified and Effective Educators                   |
|   | Goal 6: Sound Policies for Student Success                         |
| X | Goal 7: Safe and Secure Schools                                    |
|   | Other Priority or Initiative. Specify:                             |

**Background Information and Statutory Authority:**

Goal 7: 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 report reflects the status of the Literary Fund, including the total principal, as well as cash, investments, and all short-/long-term loans.

**§ 22.1-142. How Fund constituted; management.**  
 There shall be set apart as a permanent and perpetual fund, to be known as the "Literary Fund," the present Literary Fund of the Commonwealth, donations to the Literary Fund, sums appropriated to the Literary Fund, all funds received by the State Treasurer and required to be deposited in the Literary Fund pursuant to Chapter 11.1 (§ 55-210.1 et seq.) of Title 55 and

the proceeds of (i) all public lands donated by Congress for public school purposes, (ii) all escheated property, (iii) all waste and unappropriated lands, (iv) all property accruing to the Commonwealth by forfeiture except those items specifically exempted, (v) all fines collected for offenses committed against the Commonwealth, and (vi) the annual interest on the Literary Fund. The Literary Fund shall be invested and managed by the Board of Education as prescribed by § [22.1-145](#).

**Summary of Important Issues:**

Attachment A reflects the financial position of the Literary Fund as of December 31, 2013. The information presented in this report reflects the commitments against the Literary Fund as of December 31, 2013.

Attachment B reflects the currently active projects funded through the Literary Fund as of December 31, 2013.

Attachment C represents the projects that have closed and for which full payment from the Literary Fund has been made since the last Board meeting.

There are no further agenda items related to the Literary Fund. Agenda A is the only item where changes occurred for this quarterly period.

**Impact on Fiscal and Human Resources:**

As funds become available in the Literary Fund, recommendations will be made to the Board for funding priority projects and those projects at the top of the First Priority Waiting List, with the cash balance reduced as loan requests are processed.

**Timetable for Further Review/Action:**

The Department staff will prepare a quarterly financial report on this fund for Board approval. Information also will be presented each quarter, as part of another agenda item, regarding those projects on the two waiting lists.

**Superintendent's Recommendation:**

The Superintendent of Public Instruction recommends approval of the financial report (including all statements) on the status of the Literary Fund as of December 31, 2013.

**STATEMENT OF THE FINANCIAL POSITION OF THE LITERARY FUND  
(as of December 31, 2013)**

| <u>Line Reference</u>  | <b>PRINCIPAL BALANCE</b>   | <u>December 31, 2013</u> | <u>September 30, 2013</u> | <u>Increase/(Decrease)</u> |
|--|--|--------------------------|---------------------------|----------------------------|
| 1.   | Cash and investments maintained by State Treasurer   | 80,421,772               | 48,264,537                | 32,157,234                 |
| 2.   | Temporary loans received from local school boards (secured by promissory notes)  | -                        | -                         | -                          |
| 3.   | Long-term loans in custody of Virginia Public School Authority (VPSA)  | 174,227,022              | 185,658,893               | (11,431,871)               |
| 4.   | Total Principal of Literary Fund   | <b>254,648,794</b>       | <b>233,923,431</b>        | 20,725,363                 |
| <b>CURRENT COMMITMENTS AGAINST LITERARY FUND REVENUE</b>     |  |                          |                           |                            |
| 5.   | Balance due on active projects (Attachment B)  | 2,072,266                | 2,072,266                 | -                          |
| 6.   | Debt service on VPSA technology equipment notes <sup>1</sup>   | 60,224,925               | 60,224,925                | -                          |
| 7.   | Interest rate subsidy <sup>2</sup>   | -                        | -                         | -                          |
| 8.   | Debt service on VPSA security equipment notes <sup>3</sup>   | 1,300,000                | 1,300,000                 | -                          |
| 9.   | Transfer for Teacher Retirement <sup>4</sup>   | 135,990,713              | 135,990,713               | -                          |
| 10.  | Total Literary Fund Commitments  | <b>199,587,904</b>       | <b>199,587,904</b>        | -                          |
| <b>FUNDS AVAILABLE FOR CURRENT COMMITMENTS AND NEW LOANS</b> |  |                          |                           |                            |
| 11.  | Cash and investments maintained by State Treasurer (Line 1)  | 80,421,772               | 48,264,537                |                            |
| 12.  | Less commitments against Literary Fund Revenues (Line 11)  | <b>(199,587,904)</b>     | <b>(199,587,904)</b>      |                            |
| 13.  | <b>Balance Available to Fund New Projects Currently on Waiting List or<br/>(Additional Funds Needed to Meet Commitments)</b> | <b>(119,166,132)</b>     | <b>(151,323,366)</b>      |                            |

<sup>1</sup>Chapter 806, 2013 Acts of Assembly, requires \$60,224,925 to be set aside for debt service on VPSA technology equipment notes in fiscal year 2014.

<sup>2</sup>Chapter 806, 2013 Acts of Assembly, authorizes no funds set aside for an interest rate subsidy program in fiscal year 2014.

<sup>3</sup>Chapter 806, 2013 Acts of Assembly, requires \$1,300,000 to be set aside for debt service on VPSA security equipment notes in fiscal year 2014.

<sup>4</sup>Chapter 806, 2013 Acts of Assembly, requires \$135,990,713 to be transferred from the Literary Fund to pay teacher retirement in fiscal year 2014.

**ACTIVE LITERARY FUND PROJECTS (as of December 31, 2013)**

| <b>Application Number</b> | <b>School Division</b> | <b>School</b>             | <b>Release Date</b> | <b>Funds Approved for Release</b> | <b>Actual Funds Disbursed</b> | <b>Balance Due</b>  | <b>Percent Drawn</b> |
|---------------------------|------------------------|---------------------------|---------------------|-----------------------------------|-------------------------------|---------------------|----------------------|
| <b>Literary Loans</b>     |                        |                           |                     |                                   |                               |                     |                      |
|                           | No Projects            |                           |                     |                                   |                               |                     |                      |
| <b>Subsidy Grants</b>     |                        |                           |                     |                                   |                               |                     |                      |
| 11181                     | Grayson County         | Grayson Middle            | 2005 Subsidy        | 138,831                           | -                             | 138,831             | 0.00%                |
| 11210                     | Halifax County         | Halifax Middle            | 2006 Subsidy        | 1,331,227                         | (1,097,125)                   | 234,102             | 82.41%               |
| 11220                     | Halifax County         | South Boston Elementary   | 2006 Subsidy        | 641,739                           | (227,676)                     | 414,063             | 35.48%               |
| 11212                     | Washington County      | Abingdon Elementary       | 2007 Subsidy        | 201,358.35                        | (86,150)                      | 115,208.67          | 42.78%               |
| 11255                     | Roanoke City           | William Fleming High      | 2008 Subsidy        | 1,006,140                         | (27,692)                      | 978,447             | 2.75%                |
| 11296                     | Tazewell County        | North Tazewell Elementary | 2008 Subsidy        | 324,368                           | (323,208)                     | 1,160               | 99.64%               |
| 11297                     | Tazewell County        | Cedar Bluff Elementary    | 2008 Subsidy        | 327,724                           | (137,269)                     | 190,455             | 41.89%               |
|                           |                        |                           |                     | <b>\$ 3,971,387</b>               | <b>\$ (1,899,121)</b>         | <b>\$ 2,072,266</b> |                      |

**LITERARY FUND PROJECT REIMBURSEMENTS COMPLETED (as of December 31, 2013)**

| <b>Application<br/>Number</b> | <b>School Division</b> | <b>School</b> | <b>Release Date</b> | <b>Funds Approved<br/>for Release</b> | <b>Actual Funds<br/>Disbursed</b> | <b>Funds<br/>Returned</b> | <b>Balance<br/>Due</b> | <b>Percent<br/>Drawn</b> |
|-------------------------------|------------------------|---------------|---------------------|---------------------------------------|-----------------------------------|---------------------------|------------------------|--------------------------|
|-------------------------------|------------------------|---------------|---------------------|---------------------------------------|-----------------------------------|---------------------------|------------------------|--------------------------|

*No Project Reimbursements*