

Virginia Board of Education Agenda Item



Agenda Item: B

Date: October 22, 2015

Title	Final Review of Recommendations Concerning Literary Fund Applications Approved for Release of Funds or Placement on a 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.

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. Under Section 22.1-142, *Code of Virginia*, the Board of Education is responsible for the management of the Literary Fund. 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 (Attachment A).

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 (Attachment B).

Attachment C lists the projects that have been removed from the First Priority Waiting List.

Attachment D identifies the Literary Fund applications that are available for release of Literary Funds.

Attachment E is the Board of Education's current Approved Application List. This attachment identifies the Literary Fund applications that are approved as to form but are awaiting other required information to be submitted to the Department. These projects are not included on either waiting list and are not recommended for funding at this time.

The current state budget, Chapter 665 (2015 Appropriation Act), authorizes the release of \$52.9 million in school construction loans from the Literary Fund during fiscal year 2016.

Summary of Important Issues:

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. Norton City submitted a letter dated September 18, 2015, requesting that the Norton Elementary School project be removed from the First Priority Waiting List. Other funding sources were obtained to complete this project.
2. Manassas Park City's Cougar Upper Elementary School project, with a priority ranking of number 2 on the First Priority Waiting List, is eligible to receive a \$7.50 million Literary Fund loan for a new school construction project. This project was added to the First Priority Waiting List in October 2007. This grades 3-5 elementary school replaced a school that was over 50 years old. The project was completed in April 2009 using local bond financing, and the new school renamed Manassas Park Elementary School.

The proceeds from the Literary Fund loan will be used by Manassas Park City to refinance local bonds used to finance the original construction cost at the lower Literary Fund interest rate of three 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 this project is ready to proceed with release of the Literary Fund loan, it is being presented to the Board ahead of the project ranked number one on the Waiting List. However, sufficient Literary Fund revenue is reserved for the project ranked number one when it is ready to proceed with release of the loan.

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.

The disbursement of funds is based on actual invoices or other evidence of bills due and payable from the Literary Fund.

Timetable for Further Review/Action:

The staff will prepare items for the Board on this action as needed. 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.

Superintendent's Recommendation:

The Superintendent of Public Instruction recommends the Board of Education approve the actions described in the two items listed under “Summary of Important Issues.”

Rationale for Action:

In accordance with Chapter 665 of the 2015 Virginia Acts of Assembly (2015 Appropriation Act), the Department of Education may offer up to \$52.9 million in school construction loans from the Literary Fund during fiscal year 2016, contingent on sufficient revenues and uncommitted balances in the Fund.

VIRGINIA BOARD OF EDUCATION - LITERARY FUND FIRST PRIORITY WAITING LIST

The following projects have been placed or are recommended for placement on the First Priority Waiting List with the actions as indicated in the last column. Projects recommended for action at this meeting are presented in italics.

Priority	Date Placed on Waiting List	School Division	School	Interest Rate	Amount	Cumulative Total	Action/Status
1	July 2007	Pulaski County	Riverlawn Elementary School	2%	7,500,000	7,500,000	Funding Deferred
2	October 2007	Covington City	Jeter Watson Intermediate School	2%	7,500,000	15,000,000	Funding Deferred
3	October 2007	Covington City	Edgemont Primary School	2%	7,500,000	22,500,000	Funding Deferred
4	October 2007	Prince George County	North Elementary School	2%	7,500,000	30,000,000	Funding Deferred
5	July 2008	Petersburg City	Walnut Hill Elementary School	2%	5,818,691	35,818,691	Funding Deferred
6	July 2008	Northampton County	Northampton High School	3%	7,500,000	43,318,691	Funding Deferred
7	July 2008	Lee County	Dryden Elementary School	2%	2,300,000	45,618,691	Funding Deferred
8	October 2008	Pittsylvania County	Tunstall High School	2%	7,500,000	53,118,691	Funding Deferred
9	October 2008	Pittsylvania County	Chatham High School	2%	7,500,000	60,618,691	Funding Deferred
10	October 2008	Wythe County	Rural Retreat High School	2%	7,500,000	68,118,691	Funding Deferred
11	October 2008	Wythe County	Rural Retreat Middle School	2%	2,600,000	70,718,691	Funding Deferred
12	April 2009	Giles County	Giles County Technology Center	2%	7,500,000	78,218,691	Funding Deferred
13	April 2009	Giles County	Eastern Elementary/Middle School	2%	7,500,000	85,718,691	Funding Deferred
14	July 2009	Virginia Beach City	Great Neck Middle School	3%	7,500,000	93,218,691	Funding Deferred
15	October 2009	Washington County ¹	Patrick Henry High School	3%	404,574	93,623,265	Funding Deferred
16	October 2009	Washington County ¹	Meadowview Elementary School	3%	468,707	94,091,972	Funding Deferred
17	October 2009	Washington County ¹	Wallace Middle School	3%	72,181	94,164,153	Funding Deferred
18	October 2009	Washington County ¹	Glade Spring Middle School	3%	510,960	94,675,113	Funding Deferred
19	October 2009	Washington County ¹	William N. Neff Center	3%	1,183,651	95,858,764	Funding Deferred
20	October 2011	Caroline County ²	Bowling Green Elementary School	3%	1,928,819	97,787,582	Funding Deferred
21	January 2012	Sussex County	Sussex Central Elementary School	3%	5,000,000	102,787,582	Funding Deferred
22	April 2012	Wise County	Appalachia Elementary School	2%	1,500,000	104,287,582	Funding Deferred
23	July 2012	Isle of Wight County	Windsor Middle School	3%	7,500,000	111,787,582	Funding Deferred
24	July 2012	Wise County	Union High School	2%	7,500,000	119,287,582	Funding Deferred
25	July 2012	Wise County	Eastside High School	2%	7,500,000	126,787,582	Funding Deferred
26	October 2012	Dickenson County	Combined Middle/High School	2%	7,500,000	134,287,582	Funding Deferred
27	January 2013	Town of West Point	West Point Middle/High School	2%	3,320,985	137,608,567	Funding Deferred
28	January 2013	Town of West Point	West Point Elementary School	2%	2,390,440	139,999,007	Funding Deferred

New projects to be added with funding deferred until funds are approved for release by separate action of the Board of Education

NO NEW PROJECTS

¹Literary Fund application amount reduced by the amount that was funded with the issuance of Series 2010-1 VPSA/Qualified School Construction Bonds on June 28, 2010.

²Literary Fund application amount reduced by the amount that was funded with the issuance of Series 2012-1 VPSA/Qualified School Construction Bonds on October 31, 2012.

VIRGINIA BOARD OF EDUCATION - LITERARY FUND SECOND PRIORITY WAITING LIST

The following projects have been placed or are recommended for placement on the Second Priority Waiting List with the actions as indicated in the last column. Projects recommended for action at this meeting are presented in italics.

Priority	Date Placed on Waiting List	School Division	School	Interest Rate	Amount	Cumulative Total	Action/Status	Comments
1	October 2008	Pittsylvania County	Dan River High School	2%	7,500,000	7,500,000	Funding Deferred	
2	October 2008	Pittsylvania County	Gretna High School	2%	7,500,000	15,000,000	Funding Deferred	
3	October 2012	Wise County	Central High School	2%	7,500,000	22,500,000	Funding Deferred	

New projects to be added with funding deferred until funds are approved for release by separate action of the Board of Education

NO NEW PROJECTS

VIRGINIA BOARD OF EDUCATION - REMOVAL FROM FIRST PRIORITY WAITING LIST
The following projects have been removed from the First Priority Waiting List with the actions as indicated in the last column.

Date Placed on Waiting List	School Division	School	Interest Rate	Amount	Cumulative Total	Action/Status
July 2008	Norton City	Norton Elementary School	3%	7,500,000	7,500,000	Alternative permanent financing was obtained for the project

VIRGINIA BOARD OF EDUCATION - RELEASE OF LITERARY FUNDS

It is recommended that Literary Funds be released for the following projects on the First Priority Waiting List.

Date Placed on Waiting List	School Division	School	Interest Rate	Amount	Cumulative Total
October 2007	Manassas Park City	Cougar Upper Elementary School	3%	7,500,000	7,500,000

APPROVED APPLICATION LIST¹

Priority	Date Placed on Application List ²	School Division	School	Interest Rate	Application Amount	Cumulative Total	Action/Status
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New projects to be added to the approved application list:

NO NEW PROJECTS

Notes:

¹ Reflects only those applications not on waiting lists.

² Per 8 VAC20-100-90, applications which remain on the approved application list for three years shall be removed from the list.

October 2015