Virginia Board of Education Agenda Item

Agenda Item: A **Date:** April 28, 2016

Title	Final Review of Financial Report on Literary Fund		
Presenter	Mr. Kent C. Dickey, Deputy Superintendent for Finance and Operations		
E-mail	Kent.Dickey@doe.virginia.gov	**Phone**	(804) 225-2025

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, 2015. The information presented in this report reflects the commitments against the Literary Fund as of December 31, 2015.

Attachment B reflects the currently active projects funded through the Literary Fund as of December 31, 2015.

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.

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, 2015.

Rationale for Action:
Staff has reviewed the statements and the statements reflect the financial activity authorized for the fund through December 31, 2015.

STATEMENT OF THE FINANCIAL POSITION OF THE LITERARY FUND
(as of December 31, 2015)

Line Reference		December 31, 2015	September 30, 2015	Increase/(Decrease)
	PRINCIPAL BALANCE			
1.	Cash and investments maintained by State Treasurer	75,218,797	61,352,343	13,866,454
2.	Temporary loans received from local school boards (secured by promissory notes)	-	-	-
3.	Long-term loans in custody of Virginia Public School Authority (VPSA)	122,106,679	120,982,767	1,123,912
4.	Total Principal of Literary Fund	**197,325,476**	**182,335,110**	14,990,366
	CURRENT COMMITMENTS AGAINST LITERARY FUND REVENUE			
5.	Balance due on active projects (Attachment B)	1,211,437	1,231,437	(20,000)
6.	Debt service on VPSA technology equipment notes [1]	58,753,673	62,659,403	(3,905,730)
7.	Interest rate subsidy [2]	-	-	-
8.	Debt service on VPSA school security equipment notes [3]	3,683,430	3,699,745	(16,315)
9.	Transfer for Teacher Retirement [4]	165,223,825	165,223,825	-
10.	Total Literary Fund Commitments	**228,872,365**	**232,814,410**	(3,942,045)
	FUNDS AVAILABLE FOR CURRENT COMMITMENTS AND NEW LOANS			
11.	Cash and investments maintained by State Treasurer (Line 1)	75,218,797	61,352,343	
12.	Less commitments against Literary Fund Revenues (Line 10)	(228,872,365)	(232,814,410)	
13.	**Balance Available to Fund New Projects Currently on Waiting List or (Additional Funds Needed to Meet Commitments)**	**(153,653,568)**	**(171,462,067)**	

[1]Final fiscal year 2016 budget, adopted by the General Assembly on March 11, 2016, and pending signature of Governor, requires $62,474,931 to be set aside for debt service on VPSA equipment notes in fiscal year 2016 less fiscal year payment to date of $3,721,258.

[2]Final fiscal year 2016 budget, adopted by the General Assembly on March 11, 2016, and pending signature of Governor, requires there be no funds set aside for an interest-rate subsidy program in fiscal year 2016.

[3]Final fiscal year 2016 budget, adopted by the General Assembly on March 11, 2016, and pending signature of Governor, requires $3,683,430 to be set aside for debt service on VPSA school security equipment notes in fiscal year 2016.

[4]Final fiscal year 2016 budget, adopted by the General Assembly on March 11, 2016, and pending signature of Governor, requires $165,223,825 to be transferred from the Literary Fund to pay teacher retirement in fiscal year 2016.

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ACTIVE LITERARY FUND PROJECTS (as of December 31, 2015)

Application Number	School Division	School	Release Date	Funds Approved for Release	Actual Funds Disbursed	Balance Due	Percent Drawn
Literary Loans							
	No Projects						
Subsidy Grants							
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)	115,209	42.78%
11255	Roanoke City	William Fleming High	2008 Subsidy	1,006,140	(736,843)	269,297	73.23%
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	(288,947)	38,777	88.17%
				$ 3,971,387	**$ (2,759,950)**	**$ 1,211,437**	

LITERARY FUND PROJECT REIMBURSEMENTS COMPLETED (as of December 31, 2015)

Application Number	School Division	School	Release Date	Funds Approved for Release	Actual Funds Disbursed	Funds Returned	Balance Due	Percent Drawn
		No Project Reimbursements						

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