

# Virginia Board of Education Agenda Item



Agenda Item: F

Date: April 26, 2012

<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: Expanded Opportunities to Learn
	Goal 2: Accountability of Student Learning
	Goal 3: Nurturing Young Learners
	Goal 4: Strong Literacy and Mathematics Skills
	Goal 5: Highly Qualified and Effective Teachers and Administrators
	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, (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, 2011. The information presented in this report reflects the commitments against the Literary Fund as of December 31, 2011.

Attachment B reflects the currently active projects funded through the Literary Fund as of December 31, 2011.

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 is no agenda item related to applications for Literary Fund Loans as no new applications have been submitted for review by the Department since the January 2012 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, 2011.

**STATEMENT OF THE FINANCIAL POSITION OF THE LITERARY FUND  
(as of December 31, 2011)**

<u>Line Reference</u>	<b>PRINCIPAL BALANCE</b>	<u>December 31, 2011</u>	<u>September 30, 2011</u>	<u>Increase/(Decrease)</u>
1.	Cash and investments maintained by State Treasurer	64,889,626	41,086,711	23,802,915
2.	Temporary loans received from local school boards (secured by promissory notes)	-	-	-
3.	Long-term loans in custody of Virginia Public School Authority (VPSA)	244,286,506	251,610,214	(7,323,708)
4.	Total Principal of Literary Fund	<b>309,176,131</b>	<b>292,696,925</b>	16,479,206
<b>CURRENT COMMITMENTS AGAINST LITERARY FUND REVENUE</b>				
5.	Balance due on active projects (Attachment B)	2,692,676	2,922,869	(230,193)
6.	Debt service on VPSA equipment notes <sup>1</sup>	59,406,080	62,807,678	(3,401,598)
7.	Interest rate subsidy <sup>2</sup>	-	-	-
8.	Transfer for Teacher Retirement <sup>3</sup>	130,086,428	130,086,428	-
9.	Required Carry Forward Balance	60,816,650	60,816,650	-
10.	Total of Literary Fund Commitments	<b>253,001,834</b>	<b>256,633,625</b>	(3,631,791)
<b>FUNDS AVAILABLE FOR CURRENT COMMITMENTS AND NEW LOANS</b>				
11.	Cash and investments maintained by State Treasurer (Line 1)	64,889,626	41,086,711	
12.	Less commitments against Literary Fund Revenues (Line 10)	<b>(253,001,834)</b>	<b>(256,633,625)</b>	
13.	<b>Balance Available to Fund New Projects Currently on Waiting List or     (Additional Funds Needed to Meet Commitments)</b>	<b>(188,112,208)</b>	<b>(215,546,914)</b>	

<sup>1</sup>Chapter 890 requires \$62,807,678 to be set aside for debt service on VPSA equipment notes in fiscal year 2012. [Fiscal year-to-date payments of \$3,401,598 reflected in line 6.]

<sup>2</sup>Chapter 890 authorizes no funds set aside for an interest rate subsidy program in fiscal year 2012.

<sup>3</sup>Chapter 890 requires \$130,086,428 to be transferred from the Literary Fund to pay teacher retirement in fiscal year 2012

**ACTIVE LITERARY FUND PROJECTS (as of December 31, 2011)**

<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>							
11151	Nottoway County	Blackstone Primary	2004 Subsidy	54,632	(40,393)	14,239	73.94%
11150	Nottoway County	Crewe Primary	2004 Subsidy	191,790	(161,572)	30,218	84.24%
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	(6,500)	194,858	3.23%
11213	Washington County	High Point Elementary	2007 Subsidy	154,739	-	154,739	0.00%
11214	Washington County	Valley Institute Elementary	2007 Subsidy	123,197	-	123,197	0.00%
11215	Washington County	E. B. Stanley Middle	2007 Subsidy	149,896	-	149,896	0.00%
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	(68,798)	258,926	20.99%
				<b>\$ 4,645,641</b>	<b>\$ (1,952,965)</b>	<b>\$ 2,692,676</b>	

**LITERARY FUND PROJECT REIMBURSEMENTS COMPLETED (as of December 31, 2011)**

<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>Funds Returned</b>	<b>Balance Due</b>	<b>Percent Drawn</b>
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**NO PROJECT REIMBURSEMENTS**