

Virginia Board of Education Agenda Item



Agenda Item: A

Date: April 27, 2017

Title	Final Review of Financial Report on Literary Fund		
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. 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, 2016. The information presented in this report reflects the commitments against the Literary Fund as of December 31, 2016.

Attachment B reflects the currently active projects funded through the Literary Fund as of December 31, 2016.

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

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 for 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 will also be presented, as part of another agenda item and as changes occur, regarding those projects on the two waiting lists.

Superintendent's Recommendation:

The Superintendent of Public Instruction recommends the Board of Education approve the financial report (including all statements) on the status of the Literary Fund as of December 31, 2016.

Rationale for Action:

Staff has reviewed the financial statements and the statements reflect the financial activity authorized for the fund through December 31, 2016.

QUARTERLY STATEMENT OF THE FINANCIAL POSITION OF THE LITERARY FUND
(as of December 31, 2016)

Line Reference	PRINCIPAL BALANCE	<u>December 31, 2016</u>	<u>September 30, 2016</u>	<u>Increase/(Decrease)</u>
1.	Cash and investments maintained by State Treasurer	135,988,523	116,126,400	19,862,123
2.	Temporary loans received from local school boards (secured by promissory notes)	-	-	-
3.	Long-term loans in custody of Virginia Public School Authority (VPSA)	125,357,743	130,458,174	(5,100,430)
4.	Total Principal of Literary Fund	261,346,266	246,584,574	14,761,693
CURRENT COMMITMENTS AGAINST LITERARY FUND REVENUE				
5.	Balance due on active projects (Attachment B)	1,207,108	1,208,268	(1,160)
6.	Debt service on VPSA educational technology equipment notes ¹	60,800,679	64,556,017	(3,755,338)
7.	Loan disbursements	-	-	-
8.	Interest rate subsidy ²	1,160	-	1,160
9.	Debt service on VPSA school security equipment notes ³	4,924,392	4,924,392	-
10.	Transfer for Teacher Retirement ⁴	199,347,523	191,347,523	8,000,000
11.	Total Literary Fund Commitments	266,280,862	262,036,200	4,244,662
FUNDS AVAILABLE FOR CURRENT COMMITMENTS AND NEW LOANS				
12.	Cash and investments maintained by State Treasurer (Line 1)	135,988,523	116,126,400	19,862,123
13.	Less commitments against Literary Fund Revenues (Line 11)	(266,280,862)	(262,036,200)	(4,244,662)
14.	Balance Available to Fund New Projects Currently on Waiting List or (Additional Funds Needed to Meet Commitments)	(130,292,339)	(145,909,800)	

¹HB 1500 as Enrolled, adopted by the General Assembly on February 25, 2017, and pending signature of the Governor, requires \$64,556,017 to be set aside for debt service on VPSA Educational Technology Equipment Notes in fiscal year 2017 less fiscal year payments to date of \$3,755,338.

²HB 1500 as Enrolled, adopted by the General Assembly on February 25, 2017, and pending signature of the Governor, requires no funds be set aside for an Interest-rate Subsidy Program in fiscal year 2017.

³HB 1500 as Enrolled, adopted by the General Assembly on February 25, 2017, and pending signature of the Governor, requires \$4,924,392 to be set aside for debt service on VPSA School Security Equipment Notes in fiscal year 2017.

⁴HB 1500 as Enrolled, adopted by the General Assembly on February 25, 2017, and pending signature of the Governor, requires \$199,347,523 to be transferred from the Literary Fund to pay Teacher Retirement in fiscal year 2017.

ACTIVE LITERARY FUND PROJECTS (as of December 31, 2016)

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)	115,208.67	42.78%
11255	Roanoke City	William Fleming High	2008 Subsidy	1,006,140	(740,012)	266,127	73.55%
11297	Tazewell County	Cedar Bluff Elementary	2008 Subsidy	327,724	(288,947)	38,776.88	88.17%
				\$ 3,971,387	\$ (2,764,279)	\$ 1,207,108	

LITERARY FUND PROJECT REIMBURSEMENTS COMPLETED (as of December 31, 2016)

Application Number	School Division	School	Release Date	Funds Approved for Release	Actual Funds Disbursed	Funds Returned	Balance Due	Percent Drawn
11296	Tazewell County	North Tazewell Elementary	2008 Subsidy	324,368	(324,368)	-	-	100.00%

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