

Virginia Board of Education Agenda Item



Agenda Item: C

Date: October 26, 2017

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 June 30, 2017. The information presented in this report reflects the commitments against the Literary Fund as of June 30, 2017.

Attachment B reflects the currently active projects funded through the Literary Fund as of June 30, 2017.

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 June 30, 2017.

Rationale for Action:

Staff has reviewed the financial statements and the statements reflect the financial activity authorized for the fund through June 30, 2017.

QUARTERLY STATEMENT OF THE FINANCIAL POSITION OF THE LITERARY FUND
(as of June 30, 2017)

Line Reference	PRINCIPAL BALANCE	<u>June 30, 2017</u>	<u>March 31, 2017</u>	<u>Increase/(Decrease)</u>
1.	Cash and investments maintained by State Treasurer	71,450,042	232,980,215	(161,530,173)
2.	Temporary loans received from local school boards (secured by promissory notes)	-	-	-
3.	Long-term loans in custody of Virginia Public School Authority (VPSA)	115,991,439	121,229,425	(5,237,986)
4.	Total Principal of Literary Fund	187,441,481	354,209,640	(166,768,159)
CURRENT COMMITMENTS AGAINST LITERARY FUND REVENUE				
5.	Balance due on active projects (Attachment B)	1,053,123	1,053,123	-
6.	Debt service on VPSA educational technology equipment notes ¹	-	60,800,679	(60,800,679)
7.	Loan disbursements	-	-	-
8.	Interest rate subsidy ²	-	-	-
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	(199,347,523)
11.	Required Carry Forward Balance to Support Fiscal Year 2018 Literary Fund Transfer for Teacher Retirement Provided in Chapter 836 (2017 Appropriation Act)	70,396,919	-	70,396,919
12.	Total Literary Fund Commitments	71,450,042	266,125,717	(194,675,675)
FUNDS AVAILABLE FOR CURRENT COMMITMENTS AND NEW LOANS				
13.	Cash and investments maintained by State Treasurer (Line 1)	71,450,042	232,980,215	(161,530,173)
14.	Less commitments against Literary Fund Revenues (Line 12)	(71,450,042)	(266,125,717)	194,675,675
15.	Balance Available to Fund New Projects Currently on Waiting List or (Additional Funds Needed to Meet Commitments)	-	(33,145,502)	33,145,502

¹Debt service payments on VPSA Educational Technology Equipment Notes for fiscal year 2017 were completed in April 2017.

²Chapter 836 budget required no funds be set aside for an Interest Rate Subsidy Program in fiscal year 2017.

³Debt service payments on VPSA School Security Equipment Notes for fiscal year 2017 were completed in April 2017.

⁴Chapter 836 budget required \$199,347,523 to be transferred from the Literary Fund to pay Teacher Retirement in fiscal year 2017; payment made in June 2017.

ACTIVE LITERARY FUND PROJECTS (as of June 30, 2017)

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%
11255	Roanoke City	William Fleming High	2008 Subsidy	1,006,140	(740,012)	266,127	73.55%
				\$ 3,117,936	\$ (2,064,814)	\$ 1,053,123	