



#273-22

**Commonwealth of Virginia
Virginia Department of Education
Superintendent's Memo #273-22**

DATE: December 2, 2022
TO: Division Superintendents
FROM: Jillian Balow, Superintendent of Public Instruction
SUBJECT: **Board of Education Guidelines for Literary Fund School Construction Loans and Initial Open Application Period to Submit Loan Applications (December 2, 2022 - February 10, 2023)**

This memorandum communicates new Board of Education guidelines governing Literary Fund school construction loans, as well as to announce the initial open enrollment application process to apply for a Literary Fund loan from the Board of Education during fiscal year (FY) 2023.

The 2022 Appropriation Act (i.e., Chapter 2) authorizes the Board of Education to issue up to \$200 million in school construction loans from the state Literary Fund in both FY 2023 and 2024, subject to the availability of funds. Amounts designated for school construction loans that are not obligated in FY 2023 may be obligated in FY 2024.

The 2022 Appropriation Act (in Item 137, Paragraph C.11) also includes new budget language provisions impacting the application process for an award of Literary Fund school construction loans, as follows:

- Establishing an annual open enrollment process by which localities and school boards apply to the Literary Fund for school construction loans, in lieu of the First Priority and Second Priority waiting list process for awarding loans. Priority for loan funding is based primarily on the local composite index of ability-to-pay;

- Establishing a maximum Literary Fund loan amount per project of \$25.0 million;
- In consultation with the Department of the Treasury, establishing loan interest rates that are benchmarked to a market index interest rate on an annual basis, not to exceed 2.0 percent for the tier of localities with a school division local composite index of ability-to-pay between 0.0000 and 0.2999; and
- Language authorizing the Board to offer a loan add-on amount not to exceed \$5.0 million per loan for projects that will result in school consolidation and the net reduction of at least one existing school.

In addition, Senate Bill 471 includes similar provisions for Literary Fund loans as the 2022 Appropriation Act provisions listed above. However, there is a delayed enactment of SB471 of four months following the adjournment of 2022 Special Session I, which is still in session.

To help facilitate implementation of the new appropriation act provisions affecting school construction loans from the Literary Fund, the Board of Education has adopted [Guidelines for Implementing New Appropriation Act Provisions for Literary Fund School Construction Loans in the 2022-2024 Biennium](#), which are now effective. Please review these guidelines carefully for new requirements related to Literary Fund loans and the application process. Please note that all Literary Fund loan requirements in the appropriation act, *Code of Virginia*, and Board of Education regulations are still in effect, in addition to the Board's new guidelines.

The guidelines require announcement via Superintendent's Memo of 1) the open application period to apply for Literary Fund loans and 2) of the market index benchmark interest rate used in determining the interest rate for approved loans.

The initial open application period for school boards and local governing bodies to jointly apply to the Department of Education (DOE) for a school construction loan from the Literary Fund for FY 2023 is: **Friday, December 2, 2022 through 5 p.m., Friday, February 10, 2023.** Loan applications for FY 2023 may only be submitted to DOE during this period of time. Loan applications not submitted by the 5 p.m., Friday, February 10, 2023 deadline will not be accepted. Submitted applications must be complete and meet all requirements. Early submission is encouraged but does not guarantee approval of a submitted loan request.

The downloadable Literary Fund loan application in Excel format is available on the following webpage: [Literary Fund School Construction Loan Application in Excel Format](#). A fully completed Excel application file must be emailed to doebudgetoffice@doe.virginia.gov. A hardcopy version of the application with all original signatures must be mailed to: Kent Dickey, Deputy Superintendent of Budget, Finance, and Operations, Virginia Department of Education, PO Box 2120, Richmond, Virginia 23218-2120.

As applications are received, they will be processed by DOE staff. After the close of the open application period on February 10th, DOE staff will analyze all submitted applications against the guidelines and all other Literary Fund loan requirements. As soon as possible, an agenda item will be prepared for a monthly Board of Education business meeting where applications recommended for loan funding will be submitted to the Board for action.

The eligible interest rate for approved loans is the lesser of the 20-year BVAL Callable Rate (as of the day the Superintendent's Memo announcing the open application process is posted) or two to six percent based on the applying school division's 2022-2024 composite index, as indicated in the Board's guidelines. Pursuant to the guidelines, the market index benchmark interest rate to be used for the FY 2023 application process is 3.24 percent, based on the 20-year BVAL Callable Municipal Curve 2043 Maturity ("BVAL Callable") interest rate (source: Bloomberg) as of December 2, 2022.

For more information

If you have additional questions or need assistance, please contact the DOE budget office at doebudgetoffice@doe.virginia.gov at (804) 225-2025.

JB/kcd