

A HISTORY OF THE LITERARY FUND AS A FUNDING SOURCE FOR FREE PUBLIC  
EDUCATION IN THE COMMONWEALTH OF VIRGINIA

Foney G. Mullins

Dissertation submitted to the Faculty of  
Virginia Polytechnic Institute and State University  
in partial fulfillment of the requirements for the  
degree of

Doctor of Education

in

Education Leadership and Policy Studies

Richard G. Salmon, Chair  
Christina M. Dawson  
Lisa G. Driscoll  
George S. Stainback  
Wayne Worner

April 18, 2001

Key words: Literary Fund, Virginia Public School Funding, Virginia Public School Finance

A History of the Literary Fund as a Funding Source for Free Public  
Education in the Commonwealth of Virginia

Foney G. Mullins

ABSTRACT

The purpose of this study was to present an historical analysis of the function of the Literary Fund of Virginia as it pertained to public school funding. The major questions central to this study were: (a) How has the Literary Fund addressed the funding needs of the Virginia public schools? (b) What significant changes have occurred in the apportionment of Literary Fund revenue? and (c) What are the future trends of the Literary Fund?

The political and social circumstances that prevailed in Virginia, prior to this funding initiative, were examined to determine what effects they had on its development. Primary documents also were examined to ascertain pertinent information for completion of this study. These included: *House and Senate Journals*; *The Acts of the General Assembly*; *Virginia School Reports*; *Virginia Second Auditor Reports of the Literary Fund*; *Annual Reports of the Superintendent of Public Instruction*; and *the Code of Virginia*. Secondary sources were used to provide background information about the historical events that helped shape the development and perpetuation of the Literary Fund.

Various government officials and a former Superintendent of Public Instruction were interviewed through use of a protocol. The purpose of these interviews was to gain insight on the likely future of the Literary Fund. Their answers to questions were analyzed to determine if consistent themes could be identified. These interviews, along with historical data collected, were examined in order to provide recommendations for future consideration by the Commonwealth of Virginia relative to the use of Literary Fund revenue.

## ACKNOWLEDGEMENTS

I give my sincere thanks and gratitude to those that have supported me in so many ways in my endeavor to prepare this study. Acknowledgements are extended to all the teaching staff in the Educational Leadership Department at Virginia Polytechnic Institute and State University. Appreciation is extended to Dr. Richard Salmon whose expertise in public school funding helped pique my interest in finance. His patience, encouragement, guidance, and editing proficiency were crucial in aiding the completion of this study; to Dr. Wayne Worner, Dr. George Stainback, Dr. Lisa Driscoll, and Dr. Tina Dawson, members of my committee, who offered encouragement, direction, and assistance when needed. Gratitude also is extended to Paulette Gardner who was always there to guide me in the right direction. Thank you also Paulette for preparing my study for electronic submission.

Appreciation is expressed to: Dr. George Stainback, former Superintendent of Washington County Public Schools and Dr. Alan Lee, current Superintendent in Washington County for allowing me to take time off work for trips to Blacksburg during the school term and summer session; Mrs. Bobbi Ryburn, my Assistant Principal for four years at Glade Spring Middle School, who filled in so effectively while I was absent from school; and to Mr. Ken Parker who spent many hours helping me with technical problems and with the production of all the charts and tables within the study.

Further acknowledgements are extended to those persons that took time to participate in the interviews, namely, Dr. S. John Davis, June Eanes, Kathy Kitchen, and Ralph Shotwell. Their responses were important in helping me understand the functions of the Literary Fund, both past and present. I appreciate their gracious sharing of their vision of the future for the Virginia Literary Fund. Their comments were extremely valuable.

Thanks to all the members of our Doctoral cohort. I appreciate the encouragement and comradery that we shared. Special thanks go to my travel companions, Dr. Duane Alderman and Dr. Lee Brannon. The bond that we shared due to our academic challenges and the good times that we experienced will be long remembered.

Lastly to my family, a special acknowledgement for all the patience and encouragement they provided during my quest for the Ed.D. To my sister, Charlene, who transcribed the several interviews so willingly and professionally; to my parents, Bill and Bonnie Mullins, who supported me with love and patience; to my sisters, Karen and Billie, who urged me on; to my

lovely daughters, Lorin and Cally, who gave their time unselfishly to their dad so he could study for four years; and to Lisa Widener, my fiancé, who helped me type and edit the manuscript, and inspired me immeasurably with her love and patience.

# TABLE OF CONTENTS

	Page
ABSTRACT .....	ii
ACKNOWLEDGEMENTS .....	iii
LIST OF TABLES.....	viii
Chapter	
1. INTRODUCTION .....	1
Research Questions.....	3
Significance of Study.....	3
Review of Relevant Literature .....	4
Methodology .....	5
Overview of Study.....	6
2. HISTORICAL EFFORTS IN VIRGINIA TO PROVIDE UNIVERSAL EDUCATION PRIOR TO 1810.....	8
Colonial Period.....	8
Apprenticeship Education .....	9
Free or Endowed Schools.....	10
Lancasterian or Monitorial Schools.....	11
Sunday Schools.....	12
Old Field Schools .....	13
Tutorial Education .....	13
Academies .....	14
Common Schools.....	14
Education of Women and Minorities.....	15
Financial Support for Schools .....	16
Glebe Lands.....	16
Lotteries.....	16
Property Tax .....	17
Contributions of Thomas Jefferson .....	17
Summary .....	21
3. THE ESTABLISHMENT AND EARLY YEARS OF THE LITERARY FUND 1810-1870.....	23
The Act of 1818.....	26
District Free School Act of 1829.....	28
Diversion of Literary Fund Revenue, 1829-1838.....	29

Acts of 1846 .....	30
Summary .....	32
4. THE LEGISLATIVE PERIOD OF FREE PUBLIC EDUCATION 1871-1900 .....	34
The Underwood Constitution of 1869 .....	34
The Peabody Fund .....	38
Contributions of Virginia State Superintendent William Ruffner, 1870-1882 .....	39
Leadership of Virginia State Superintendents, 1882-1900 .....	45
Summary .....	48
5. THE REACTIONARY PERIOD OF FREE PUBLIC EDUCATION 1901-1960 .....	50
Constitution of 1902 .....	50
The Williams Building Act .....	51
The Impact of the Great Depression on Virginia Public School Funding .....	54
The Effects of World War II .....	56
John Battle Funds .....	58
School Desegregation .....	60
Summary .....	62
6. THE LITERARY FUND IN THE MODERN ERA 1961-2000 .....	65
Establishment of Virginia Standards of Quality .....	70
Local Composite Index .....	71
Diversion of Literary Fund Revenue to the Virginia Retirement System .....	72
Technology Funding .....	75
Interest Rate Subsidy Program .....	77
The Diversion of Literary Funds in the 1990s .....	79
The Virginia Lottery .....	81
Current Status of the Literary Fund .....	82
Summary .....	85
7. INTERVIEW ANALYSIS .....	87
8. SUMMARY, CONCLUSIONS, AND RECOMMENDATIONS .....	92
Summary .....	92
Purpose of Study .....	92
Research Procedures .....	92
Findings and Conclusions .....	93
Recommendations .....	95

BIBLIOGRAPHY.....	97
APPENDIX A.....	102
Interviews.....	102
Dr. S. John Davis.....	102
Ms. June Eanes.....	109
Ms. Kathy Kitchen.....	114
Mr. Ralph Shotwell.....	123
APPENDIX B.....	129
Table 14. Current Operations Cost for Public Elementary and Secondary Education by Source 1976-77, 1996-97.....	129
Table 15. Expenditures for Public School Operations – Virginia 1976-77, 1996-97.....	130
APPENDIX C.....	131
House Joint Resolution No. 662.....	131
Senate Joint Resolution No. 318.....	132
APPENDIX D.....	134
Table 16. Summary of Literary Fund Interest Rates Charged to Local School Divisions for Public School Construction; Maximum and Minimum Loan Amounts for Construction Projects; and Total Amount of Indebtedness Allowed for Literary Loans to Local School Divisions, Commonwealth of Virginia, Selected Years.....	134
VITA.....	135

## LIST OF TABLES

Table	Page
1. Literary Fund Balances 1811-1818.....	25
2. Growth of Virginia’s Public School System 1871-1900.....	47
3. Growth and Expenditures of Virginia’s Public School System 1871-1900.....	47
4. Revenue Amounts Transferred from the Literary Fund of Virginia to the Virginia Retirement System for 1951-1960.....	59
5. Revenue Transfers to the Literary Fund and Literary Fund Loans to Localities, Commonwealth of Virginia 1951-52 to 1959-60.....	60
6. Number of Pupils Enrolled in Public Schools, Commonwealth of Virginia 1931-1960.....	61
7. Total Amounts Transferred from the Literary Fund of Virginia to the Virginia Public School Authority 1962-1970.....	68
8. Transfers of Literary Fund Revenue for Teacher Retirement 1980-1990.....	74
9. Virginia Average Construction Cost of School Buildings, Commonwealth of Virginia, FY 1994-1999.....	75
10. Transfers of Literary Fund Revenue for Technology Payments for FY 1990-1998.....	77
11. Interest Rate Subsidy Program, 1988-1996.....	78
12. Transfers of Literary Fund Revenue for Teacher Retirement for 1990-1998 (\$ In millions).....	79
13. Lottery Revenue, Commonwealth of Virginia, Fiscal Years 1989-1999.....	82
14. Current Operations Cost for Public Elementary and Secondary Education by Source, 1976–77, 1996–97.....	129
15. Expenditures for Public School Operations – Virginia 1976-77, 1996-97.....	130
16. Summary of Literary Fund Interest Rates Charged to Local School Divisions for Public School Construction; Maximum and Minimum Loan Amounts for Construction Projects; and Total Amount of Indebtedness Allowed for Literary Loans to Local School Divisions, Commonwealth of Virginia, Selected Years.....	134



## Chapter 1

### INTRODUCTION

Financial support for the establishment and maintenance of public schools is derived from a tripartite partnership of federal, state and local governments. For the past twenty years (1977-1997) the state has contributed an average of 35% of the funding for Virginia's public schools. During this same time span the local government's average contribution each year has been approximately 49%. The federal government has decreased its share of funding since 1977 from 11.13% to 5.38%. These statistics illustrate that traditionally the majority of funds for the operating expense of Virginia's public schools has been supplied by the localities. (See Tables 14 and 15, Appendix B.) Consistent with the traditional state policy to rely primarily upon local government to fund current programs, historically, with few exceptions, the state has placed nearly one hundred percent of the fiscal responsibility for capital construction on the localities.

Since the period of colonization in the early seventeenth century, the question of how public schools are funded has been debated in Virginia. Colonial Virginia was politically controlled by wealthy landowners who relied primarily on tutors and private schools to educate their children. They did not see the logic of taxing themselves to establish common schools that they themselves would not patronize. Therefore, state financial support for public education was slow to develop. There were some early politicians, including Thomas Jefferson, who urged local taxation for common schools with local control. Others, such as Charles Mercer, supported common schools, but argued for both state control and state financial support.

Commencing at the beginning of the nineteenth century, several Virginia governors began to speak forcefully on the need for common schools as well as the need to provide public financial support. During his annual address to the Commonwealth in 1801, Governor James Monroe enthusiastically sought the support of the legislature for financial aid for public schools. Governor George Cabell followed in 1806 with an equally strong plea. However, the leadership to pass the first law establishing state support of public schools came from Governor John Tyler. In his message to the legislature in 1809, Governor Tyler criticized the General Assembly.<sup>1</sup>

---

<sup>1</sup> William Arthur Maddox, *The Free School Idea in Virginia Before the Civil War* (New York: Teacher's College, Columbia University, 1918), p. 47.

It is true that a faint effort was made, some years past, to establish schools in the respective counties throughout the Commonwealth, but, even in that solitary instance the courts had a discretionary power to execute the law or not, which completed the object intended, for in no instance has that law been complied with. To the disgrace of the county courts, and to the great disadvantage of the people, who might have been enabled to have educated their children upon much easier terms than can now be done. For in our present situation, he must be a wealthy man indeed, who can afford the means of educating one son, so as to place him in a condition to serve his country, either in the field or in its councils, whensoever his services might be called for – a truly melancholy picture to amend the law before mentioned, so as to insure its execution. There cannot be a subject of more importance, in a free government, than that which we at present contemplate. This seems to be admitted by every intelligent man who wishes well to our country; and yet so fatal is that apathy which prevails, or so parsimonious a policy has insinuated itself among us, that year after year is permitted to pass away, without a single attempt to attain so great and indispensable an object.<sup>2</sup>

The Virginia General Assembly responded to Governor Tyler’s plea and in 1810 passed a bill that established the Literary Fund. This represented the first bill in Virginia to set aside money for public education. The bill passed by both the House and the Senate stated:

Be it enacted; That all escheats, confiscations, fines, penalties and forfeitures, and all rights in personal property accruing to the Commonwealth, as derelict, and having no rightful proprietor, be, and the same are hereby appropriated to the encouragement of learning. That the aforesaid fund shall be appropriated to the sole benefit of a school or schools, to be kept in each and every county within this Commonwealth.<sup>3</sup>

Although this was not a direct tax, it did serve to set aside money for the present, and the future, for the cause of public education.

The Act instructed the Second Auditor of the State Treasury, James Brown Jr. to open an account with the Treasurer of the Commonwealth to be known as The Literary Fund. The Act further stated:

The Fund will be divided and appropriated as to the next legislature sees best adapted to the promotion of literature ... Its direction is cast into the “Act to Provide for the Education of the Poor,” in which is made a “solemn protest” against any future legislature’s misapplying the Literary Fund to any other purpose than that of the Education of the Poor.<sup>4</sup>

Thus, the Literary Fund originated solely as a vehicle to help educate indigent children. However, since its inception it has been transformed from merely a small allotment for the

---

<sup>2</sup> Governor Tyler, “Annual Message of the Governor of the Commonwealth”, Senate *Journal*, 1809, p. 9.

<sup>3</sup> *House Journal*, Feb. 2, 1810, Chap.14, p.15.

<sup>4</sup> *Acts of Virginia Assembly*, Feb. 12, 1811, Chap. 8, pp. 8-9.

benefit of indigent children, to a source for facility development and improvement throughout the Commonwealth. The purpose of this proposed study was to analyze the significant changes that occurred during the transformation of the Literary Fund.

### Research Questions

Central to this study are the following research questions:

1. What circumstances initiated and continued the development of the Literary Fund?
2. How has the Literary Fund addressed the funding needs of the Virginia public schools?
3. What significant changes have occurred in the apportionment of Literary Fund revenue?
4. What societal forces may have been responsible for these changes?
5. What are the future trends of the Literary Fund?

### Significance of Study

Although the Literary Fund can be considered the foundation for the Commonwealth of Virginia's funding of its public schools, a thorough review of the literature failed to identify anyone who has studied the historical evolution of the Literary Fund. Virginia educators need to be aware of the funding possibilities that the Literary Fund provides. It is the responsibility of each local school superintendent to prepare the division's budget each year, thus, this person must be able to take advantage of every possible revenue source. The finance needs and the finance efforts are forever changing in the public school arena. If educators study the past, and understand its lessons, they are better able to deal with the present problems and can better prepare for the future needs in education. By studying the forces and trends that have affected the Literary Fund, educators can gain a better understanding about how this funding vehicle has evolved, and how it can be better utilized for their particular needs.

The financial problem that education faces today reflects the growing pains of a society that history has shown is always undergoing profound transformations at home and continues to face new and confusing responsibilities of relationships with other peoples in all corners of the

globe. It is imperative that we study the past because of its practical value in understanding the present and its ability to suggest the probable cause of future events.<sup>5</sup>

### Review of Relevant Literature

The Literary Fund has received scant attention by educational historians. There are some worthy secondary sources that give detailed information of the Fund's origin, its early financial status, and the political arena in which it began. However, there are none that trace the history of this funding source from its origination through current times.

One of the most thorough accounts of the early efforts to provide education for children of Virginia was provided by Cornelius Heatwole. In his book, *A History of Education in Virginia*, he discussed the first attempts at educating children during colonial times and documented Thomas Jefferson's contributions to education and the political opposition that his proposed plan faced. However, Heatwole said very little about the purpose, or problems relating to the establishment of the Literary Fund. Similarly, J.L. Blair Buck in his book, *The Development of Public Schools in Virginia*, failed to discuss in depth the origin of the Literary Fund and he totally omitted any discussion of later years of the Fund's developments.

Perhaps one of the best resources for covering the Literary Fund was William A. Maddox, and his book, *The Free School Idea in Virginia Before the Civil War*, gives an excellent review of its initial development. Political players such as Governor John Tyler and Delegate Charles Fenton Mercer are discussed by Maddox and the legislative means they used to pass this important bill are well-documented. Maddox's discussion is limited, however, to the years prior to the Civil War.

Other notable historians such as Edgar Knight, John D. Pulliam, and Ellwood P. Cubberley chronicled the development of education in the South, but do not give an adequate portrayal of the importance of the Literary Fund as a long-lasting funding source for public schools. Their discussions of the Literary Fund were limited primarily to its origin as a source of funding for indigent children.

The best literary source for an examination of the Literary Fund came from the following primary documents: *The Acts of the General Assembly, Virginia School Reports, Virginia Second*

---

<sup>5</sup> John D. Pulliam, *History of American Education*, 4th edition (Columbus, Ohio: Charles E. Merrill Publishing Company, 1987), p.255.

*Auditor Reports of the Literary Fund, Annual Reports of the Superintendent of Public Instruction, and House and Senate Journals.*

### Methodology

This study traced the involvement of the Literary Fund with public education in Virginia through use of the historical method of research, in which primary source documents were examined and analyzed whenever possible. The historian must depend upon objects that survive from the past, historical evidence, to make even the most rudimentary reconstruction of the past.<sup>6</sup> Historians conventionally classify their sources as primary, secondary, or tertiary. Primary sources consist only of evidence that was actually produced by the event the historian is studying.<sup>7</sup> In so far as possible, the historian relies on primary sources for conduct of the study.

Accounts written later, and based on primary sources are referred to as secondary sources and refer to other evidence pertaining to and produced sometime after the actual event. In some instances, it is necessary to utilize secondary sources, at the same time recognizing that it is likely that the level of accuracy likely will suffer and that some bias will inevitably occur. The farther removed from the event in question, the more likely that the author's interpretation could be distorted and bias has occurred.<sup>8</sup>

A third type of resources are often referred to as tertiary sources. These are *historical* accounts written after the event in order to reconstruct the past. They must be treated with the same critical eye as secondary sources in order to guard against inaccuracies and biases. Historians can view events differently and consequently apply their own perceptions regarding the outcomes and their significance.<sup>9</sup>

Because different types of resources were used to prepare this study, it was important to examine the facts and data presented to guard against conflicting information. When conflicts were discovered, primary source documents were sought to provide the historical evidence for the accurate accounting of the facts. Also, whenever possible, multiple primary sources were used in order to provide triangulation of information.

---

<sup>6</sup> Allan J. Lichtman & Valerie French, *Historians and the Living Past* (Arlington Heights Illinois: AHM Publishing Company, 1978), p. 17.

<sup>7</sup> *Ibid.*, p. 18.

<sup>8</sup> *Ibid.*

<sup>9</sup> *Ibid.*

The methodology used in the conduct of this study employed primarily the historical approach but also used the qualitative approach. Coupled with the examination of primary, secondary, and tertiary documents, interviews with lay policy makers and administrators familiar with the Literary Fund were held. Various officials including the Director of Finance, Research, and Retirement Services for the Virginia Education Association; the former Division Chief of Finance for the Commonwealth of Virginia; the current Budget Director of the Virginia Department of Education; and a former Superintendent of Public Instruction of Virginia were interviewed. Their predictions for the future funding and utilization of the Literary Fund were solicited. Structured interview questions were prepared in order to elicit answers to the defined questions. The interview format was a structured open-ended interview, allowing for probing followup questions, which were used to clarify responses or to ask the respondents to elaborate on particular topics. The interviewees were given the opportunity to provide additional information that they thought might benefit the study.

There was only one interview completed for each individual and there was no stipulation to age, sex, or gender applied. Each interview lasted approximately one hour and was audio-taped. The tapes were transcribed and sent to the interviewees for their review and approval of content. The transcriptions were then edited to correct any erroneous statements that were uncovered. All interview subjects were informed in writing of their opportunity to withdraw from the project at any time. An interview protocol was prepared and approved by the Institutional Review Board for Research Involving Human Subjects at Virginia Polytechnic Institute and State University. Each individual signed a consent form acknowledging that they understood the interview protocol and their responses likely would be made public. The purpose was not to treat the interview subjects anonymously; instead because of their fine reputations and acknowledged expertise in Virginia public education, their comments will be well respected and should prove valuable to readers of this document.

### Overview of Study

In order to understand the origin of the Literary Fund it was important to review the significant educational movements from the Colonial Era through 1810. Chapter 2 chronicles these early attempts at universal support of schools, setting the stage for the first state support which was provided by the Literary Fund.

Subsequent chapters address the Literary Fund by chronological time periods. Chapter 3 covers the legislative period, 1810–1870. Chapter 4 deals with the constitutional period, 1871–1900. The reactionary period, 1901–1960 is traced in Chapter 5 and Chapter 6 describes the modern era, 1961–2000. The final chapter also provides a synthesis, summary, and recommendations for consideration by the Commonwealth of Virginia.

The founders of public education throughout most of the United States envisaged that public schools were to have the attributes of uniformity and equality, thus reducing the inequalities that were evident in Colonial America. They believed that for this to occur, governments and citizens must be prepared to adequately support common schools. The financial needs of education as well as financial resources have always been in a constant state of change. Therefore, it was imperative that the founders of our country as well as current leaders to be aware of the potential and available resources for funding our public schools. As mentioned earlier, by being students of the past it is possible to understand what the future may bring.

## Chapter 2

### HISTORICAL EFFORTS IN VIRGINIA TO PROVIDE UNIVERSAL EDUCATION PRIOR TO 1810

The purpose of this study was to present an historical analysis of the Literary Fund as it pertains to public school funding in the Commonwealth of Virginia. As necessary background for the accomplishment of this purpose, Chapter II includes a review of early attempts to provide universal public support of schools in Virginia. From the origin of the new nation in 1776, the founding fathers realized the importance of an educated populace. An intelligent electorate would be able to recognize and preserve its democratic rights. Thomas Jefferson, a prominent proponent of public education, summed it up in a letter to George Washington in 1786.

It is an axiom in my mind that our liberty can never be safe but in the hands of the people themselves, and that, too, of the people with a certain degree of instruction<sup>1</sup>

Although education was deemed critical by such leaders as Thomas Jefferson, the means by which to attain this goal was a matter of debate and discussion. Citizens of the colonial era were not anxious to pay taxes to support schools, especially since one of the reasons for their fight for independence from England and the Crown was perceived to be oppressive taxes. Given these circumstances and the independent spirit of the colonists it is easy to see how difficult it was to sell *free public education* to the populace. Nevertheless, there were numerous attempts to educate children prior to the establishment of the Literary Fund in 1810 which provided the first, albeit modest, state support of education in the Commonwealth.

#### Colonial Period

There were many efforts to establish public schools in Virginia during the seventeenth and eighteenth centuries. However, these attempts were not universally supported throughout the Commonwealth. According to Heatwole, Virginia colonists consisted of three classes of people: (a) the upper class of gentlemen, including the clergy and plantation owners; (b) merchants, tradesmen, and skilled laborers; and (c) lower class of laborers, both poor whites and slaves. The planters of the upper class had the most influence on social and political issues; thus, they were

---

<sup>1</sup> Paul Monroe, *Brief Course in the History of Education* (New York: McMillan Co., 1914), p.714



naturally interested in an educational system that affected their own children. The result was a tutorial system of education for the wealthy.<sup>2</sup>

With the introduction of slave labor, the plantation system rapidly developed and the number of Negroes increased in Virginia. By 1715 approximately 24,000, or one-fourth of a total population of 95,000 in Virginia, were Negroes.<sup>3</sup> Thayer characterized the Southern colonists and the plight of education much the same as Heatwole. He stated that:

The economic and social system in the South consisting of an aristocratic upper class, a relatively weak middle class, "poor whites," free Negroes, and on the lowest level, slaves, was unfavorable to the development of publicly supported free schools. Such development is more characteristic of a society composed of free labor and a vigorous middle class.<sup>4</sup>

While wealthy property owners objected to the imposition of taxes to support free schools, valiant efforts were made to establish free schools in colonial America. Primarily funded by private philanthropists and churches some rudimentary schools were provided for poor and indigent white children. Some of the most effective types of education are discussed below.

#### Apprenticeship Education

According to Heatwole, the early educational interest among the people of Virginia concerned itself with orphan children that were sent to Virginia from the hospitals and asylums of England. The English colonies in the different parts of the world furnished a refuge for a great number of these children from England. In 1619 provision was made for 100 children to be sent to the Virginia colony. Five hundred pounds was sent for their apprenticeship among the colonists, the only stipulation being that they should be taught *some good trade* by their master.<sup>5</sup> In 1643, a law was enacted which required overseers and guardians the responsibility for instructing their orphan charges in the Christian religion and in the rudiments of learning. This act also provided for the care of orphans' estates, through accounting to the Commissioners of County Courts.<sup>6</sup>

The Apprenticeship Law of 1646 was more specific in nature. It provided that the children should be brought up in good breeding, (learning) and in good and lawful trades. This

---

<sup>2</sup> Cornelius J. Heatwole, *A History of Education in Virginia* (New York: McMillan Co., 1916), p. 19, 20, & 26.

<sup>3</sup> V.T. Thayer, *Formative Ideas in American Education* (New York: Dodd, Mead & Company Inc., 1965), p. 24.

<sup>4</sup> *Ibid.* p. 69.

<sup>5</sup> William Waller Hening, *Henings Statutes: Laws of Virginia 1619-1660* Vol. 1 (Philadelphia: Thomas Desilver, 1823), p. 27.

<sup>6</sup> *Ibid.*, Act XXXIV, March, 1643.

act contained a description of the school building required and stated that this was to be a school for teaching trades. One provision of this act required that children were to “be employed in the public flax factory work under such master and masters as thus be appointed in carding, knitting, spinning, and so on.”<sup>7</sup> Another general law was passed in October 1705 entitled, “An Act for the Distribution of Intestates Estates, Declaring Widows Rights to their Deceased Husbands’ Estates; and for Securing Orphans’ Estates.” This law provided that masters should be compelled to teach orphans to *read and write*. This is the first legislative provision requiring reading and writing to be taught but was limited to white children, both girls and boys.<sup>8</sup>

Paul Monroe described apprenticeship schools as *workhouse* schools, which usually grew up in connection with the poor houses. These schools were for the training of the children of inmates, both boys and girls. Monroe mentions a law of 1668 which was intended to encourage the establishment of similar schools in the counties and parishes. The law gave the local authorities power to erect houses “for the education and instructing of poor children in the knowledge of spinning, weaving, and other useful occupations and trades.”<sup>9</sup>

#### Free or Endowed Schools

During the colonial period the term *free school* referred to a school that did not charge its students tuition or fees. The first plan for a free school in Virginia was designed for the education of American Indian youth in 1619. An unknown benefactor provided \$14,000 for this effort. The school was named Henrico College because of its location in the settlement of Henrico, Virginia. This school was brought to an end by the great Indian Massacre of 1622.<sup>10</sup> Of the nearly twelve hundred settlers in the Virginia Colony in 1622, almost four hundred, or one third of them, died that Friday morning, March 22, 1622 as a result of this Indian uprising.

Buck reported that there were several successful efforts on the part of private philanthropists to provide free schools for white children in various parts of the Commonwealth by endowment.<sup>11</sup> It is important to notice the use of the terms *free* and *endowed* as interchangeable. Endowment provided for the financial support of the Headmaster, and often the

---

<sup>7</sup> Ibid., Act XXVII, October, 1646.

<sup>8</sup> William Waller Hening, *Henings Statutes: Laws of Virginia*, Vol. 3 (New York : R.&W.&G. Bartow, 1827), Chap. 33, Section 14, p. 375.

<sup>9</sup> Monroe, p. 57.

<sup>10</sup> Heatwole, p.41-42.

<sup>11</sup> J.L. Blair Buck, *The Development of Public Schools In Virginia 1608-1952*, Vol. 35, No. 1 (Richmond, Virginia: State Board of Education, 1952), p. 16.

financial support applied to a limited number of pupils. All children were free, at least, of charges for tuition. Consequently, such schools were considered free during this era.<sup>12</sup> Among these was the Symms Free School in Elizabeth City County, Virginia.<sup>13</sup> Knight and Hall recorded in *Readings in American Education History*, this excerpt from Benjamin Symms' will:

Two hundred acres of land lying in the old Poqueson River and eight Milch cows - I bequeath is as followth viz the use of the said land with the milk and Increase Male of the said cattle to be for the mantayance of an honest and learned man to keep upon the said Ground a free School to Educate and teach the Children of the adjoining Parishes of Elizb City and Poquoton from Mary's Mount downwards to the Poquoson River.<sup>14</sup>

A similar free school was founded in 1659, in the same county, from a foundation established by Thomas Eaton. The study of *Parish Education in Colonial Virginia* made by Wells, indicated that between 1634 and 1775 there were nine endowed schools of the Symms and Eaton type in Virginia.<sup>15</sup> Heatwole reported that as early as 1652 Hugh Lee gave orders for the establishment of a free school in Northumberland County. John Moon, in 1655, Isle of Wight County, made provision in his will for the education of orphan children in a free school already founded. Richard Russell, in 1666, lower Norfolk, provided means for the education of poor children at a school also already in operation. Mr. King, 1668, bequeathed 100 acres of land for the establishment of a free school. Henry Peasley, 1675, provided for the endowment of a free school in Gloucester County, giving 600 acres, 10 cows, and one breeding mare. Francis Pritchard, the same year, Lancaster County, left a large estate for the establishment of a free school. William Gordon, 1685, Middelsex County, gave 100 acres also for the establishment of a free school.<sup>16</sup>

### Lancasterian or Monitorial Schools

Monitorial schools originated in England through the work of Joseph Lancaster. This type of school provided for inexpensive education that could be given to the masses by a

---

<sup>12</sup> Monroe, p. 63.

<sup>13</sup> Emily J. Salmon & Edward D.C. Campbell Jr., *The Hornbook of Virginia History*, 4th edition, (Richmond: Library of Virginia, 1994), p. 164. Elizabeth City County was named for Elizabeth, daughter of James I, and was one of the eight shires established in 1634. It ceased to exist in 1952, when it was incorporated into the City of Hampton, which was the county seat.

<sup>14</sup> Edgar W. Knight & Clifton L. Hall, *Readings in American Education History* (New York: Appleton-Century-Crofts Inc. 1951), p. 59.

<sup>15</sup> Guy Fred Wells, *Parish Education in Colonial Virginia* (New York: Teachers College, Columbia University, 1823), p. 36.

<sup>16</sup> Heatwole, pp. 46-47.

minimum teaching staff. Students of ability were selected as monitors or student teachers, and these monitors were instructed by the master. The monitors, in turn, taught the lessons they had learned from the master to small groups of pupils. The Lancasterian Monitorial system allowed one teacher to affect the instruction of hundreds of children.<sup>17</sup>

Maddox provided this description of the monitorial system through an English handbill printed in 1811:

The peculiar advantages of this system are that one master [sic](often a lad from fourteen to eighteen years of age) can be rendered competent to the government of a school containing from 200-1000 scholars. The expense of education for each individual will also diminish in proportion as the number under care of the same master increases.<sup>18</sup>

In most instances boys and girls were instructed together and those who were financially able paid a small tuition. The children of the wealthy were taught on most moderate terms and those of the poor, *gratis*.<sup>19</sup>

This type of education appealed to Virginians because it could be operated with little or no public taxes.

### Sunday Schools

Another English educational plan introduced in America was the Sunday school. This idea developed as a means to rescue children of factory workers from their filth, ignorance, and sin. Since the children worked in the mills all week, schools could be provided only on Sundays. Several religious groups, especially Methodists, supported the Sunday school with both money and teachers. Children were supervised and given instruction in rudimentary principles of the three R's and the Bible during their free time on the Sabbath.<sup>20</sup>

Sunday schools were primarily for the poor but were not confined to factory or mill workers. Generally, the schools operated from six to ten o'clock on Sunday morning and again from two to six in the afternoon leaving time for worship. Many children learned to read in these institutions but they could hardly have provided more than the bare fundamentals of education.<sup>21</sup>

According to Maddox, other advantages of Sunday school education were bringing the children of all classes together in the name of religion on terms of perfect equality and drawing

---

<sup>17</sup> Pulliam, p. 57.

<sup>18</sup> Maddox, pp. 26-27

<sup>19</sup> Ibid., p 28.

<sup>20</sup> Pulliam, p. 57.

<sup>21</sup> Ibid., pp. 57, 58.

the attention of the rich to the actual educational needs of the poor.<sup>22</sup> Bell indicated that children educated in Sunday schools tended to be better behaved than those who did not attend and poor students were not singled out as objects of charity as they were in poor schools.<sup>23</sup>

### Old Field Schools

Another type of school that developed in Virginia was the Community School, more commonly known at a later time as the *Old Field School*. During the seventeenth century perhaps the greatest proportion of the children obtained their education through a community school.<sup>24</sup> Monroe referred to the *Old Field Schools* as types of elementary schools or ungraded private schools, peculiar in name at least, to Virginia. Old Field Schools received their name because of their frequent location in some abandoned field.<sup>25</sup> An *Old Field School* was established in some spot convenient to every boy and girl in the whole neighborhood and the leading members of the community employed a teacher at a stipulated sum or they were supported by fees from the pupils.<sup>26</sup> The church or state had no connection to these schools other than that of granting certificates to teachers. Many times the teacher was the regular clergyman of the parish or community, and in this instance instructional services were usually held at the parish house.<sup>27</sup> Buck reports that the cost for operating these schools was paid by the parents of the community or by a generous and prosperous patron.<sup>28</sup>

### Tutorial Education

Maddox wrote that education in colonial Virginia reflected the social philosophy and safeguarded the economic-social interests upon which the plantation system was built. Wealthy plantation owners usually retained tutors for their children and tutorial education remained the most common practice among the wealthy until the post-Civil War period.<sup>29</sup> Pulliam noted that the universal employment of tutors by the wealthy indicated a greater interest in education by the American planters than their English counterparts, but schooling for those not favored by birth was very limited for the residents of the Southern colonies.<sup>30</sup> The English *laissez-faire* economic

---

<sup>22</sup> Maddox, p. 31.

<sup>23</sup> Sadie Bell, *The Church, The State, and Education in Virginia* (New York: Arno Press and New York Times, 1969), p. 252.

<sup>24</sup> Heatwole, p. 49.

<sup>25</sup> Monroe, p. 70.

<sup>26</sup> Heatwole, p. 49.

<sup>27</sup> *Ibid.* p. 50.

<sup>28</sup> Buck, p. 17.

<sup>29</sup> Maddox, p. 6.

<sup>30</sup> Pulliam, p. 25.

policy, which Virginia emulated, extended to its educational system. Maddox stated “the socially competent looked after their own affairs and later fought any change in privilege of initiative.”<sup>31</sup> The non-aristocrats and the poor were educated as a protection to established society, and were taught to maintain themselves with labor.<sup>32</sup>

### Academies

Between 1776 and 1860 numerous private educational institutions operated in Virginia. Heatwole reported that these schools spread and served as the means of education for the majority of children of the Commonwealth during the early 1800s.<sup>33</sup> They were first known as *Classical Schools* and later as *Academies* when the sciences gained prominence. Academies taught the classics, higher mathematics, sciences, and also gave instruction in the elementary subjects, which obviously was necessary preparation for secondary instruction. Heatwole noted that the period of 1820-1860 was most active for establishing this type of school with about 250 of these schools being incorporated by the Virginia General Assembly.<sup>34</sup> Virginia had little connection with these academies other than granting them charters, enacting enabling statutes which gave them permission to raise capital funds through lotteries or increase their endowment funds. The Commonwealth appropriated almost no public funds to the academies except to a few (seventeen) that received infrequent and meager appropriations from the Literary Fund. The more substantial academies were well endowed and controlled by boards of trustees, which were self-perpetuating bodies. However, despite endowment funds for the more affluent academies, their primary means of fiscal support was provided by student tuition charges.<sup>35</sup>

### Common Schools

The term *common school* refers to schools that were intended to serve all children in an area. According to Alexander and Salmon, common schools were created as institutions where all children, regardless of economic or social condition, could obtain public instruction free of charge. The costs were to be shouldered by the public through taxation. The instruction was to benefit all in common and the costs were to be shared by all in common.<sup>36</sup> These type of schools

---

<sup>31</sup> Maddox, p. 9.

<sup>32</sup> Ibid.

<sup>33</sup> Heatwole, p. 127.

<sup>34</sup> Ibid. p. 126.

<sup>35</sup> Ibid. p. 128.

<sup>36</sup> Kern Alexander & Richard Salmon, *Public School Finance* (Needham Heights, Mass.: Allyn & Bacon, 1995), p. 2.

were to become *free public schools* when legislative requirements would guarantee that taxes would finance them. Thus, despite the support of several influential Virginians, including Thomas Jefferson, Charles Mercer, John Tyler and James Monroe, the vast majority of Virginians did not support the concept of *common schools* during the colonial period.

### Education of Women and Minorities

For a full half century after the colony of Virginia was founded, the general attitude was favorable toward instructing the Negro and Indian slaves. The Virginia Apprenticeship Acts of 1646 required owners to “instruct and catechize their slaves that the heathen might have Christian training.”<sup>37</sup>

Buck noted that, “There are evidences that in the eighteenth century pains were taken to educate the colored people.”<sup>38</sup> However, as the nineteenth century began, fear of slave insurrection caused southerners to pass laws that prohibited teaching slaves to read and write. In August 1800, Gabriel Prosser, a slave supported by a large group of slaves, attacked the City of Richmond, Virginia. It was rumored that between two thousand and fifty thousand slaves joined in this militant uprising. The slaves were unsuccessful and thirty-five of them, including Prosser, were executed. Shortly thereafter, and as mentioned above, Virginia enacted a law on January 31, 1805, that prohibited the education of slaves, “It shall not be lawful to require the master or mistress to teach an apprenticed black or mulatto orphan to read, or to write, or any arithmetic.”<sup>39</sup>

Females were educated at the elementary level in the Commonwealth during colonial times. They attended the community schools, endowed schools, and were tutored as their station in society would allow. However, higher education in the form of high school or college was not a norm for girls in Virginia. Boys were educated in the academies, but similar education for girls did not commence until the 1800s.<sup>40</sup>

The first attempt ever made in Virginia to establish a secondary school for girls was in 1837. A few Methodist brethren procured a charter for a college in Buckingham County under the name and title of *Buckingham Female College*. Unfortunately, it was forced to close in 1843 due to financial difficulties. It reopened in 1844 and remained in operation until 1863. The Civil

---

<sup>37</sup> Hening, vol. 3, p 336.

<sup>38</sup> Buck, p.22.

<sup>39</sup> Ibid.

<sup>40</sup> Heatwole, p. 280.

War forced the College to close, debts could not be collected, and its property, thus, was sold by auction.<sup>41</sup>

Heatwole reported that in 1842 Mary Baldwin Seminary at Staunton and Hollins College near Roanoke were both established and immediately flourished. The mid 1800s was during the heyday of academies, and there was a move to establish similar schools for girls to those established for boys. The girls' schools usually were called seminaries and there was a substantial difference in the curricula. The curricula of the seminaries contained courses in literature, music, and art, in lieu of the traditional subjects of ancient languages, mathematics, and science commonly offered boys enrolled in academies.<sup>42</sup>

### Financial Support for Schools

#### Glebe Lands

According to Maddox, in colonial times each parish church and minister were partially supported by glebe, or parish lands, set aside by the Crown and reaffirmed by the House of Burgesses. In every parish there was allotted to the Minister a convenient Dwelling House and a Glebe of about 250 acres of land with a small stock of cattle. However, the Separation Act of 1802 separated the church from either a direct or indirect participation in state affairs. Subsequently the glebe lands were taken over by the Commonwealth and sold for the benefit of the poor. As the church had controlled education at that point in Virginia, its property went, quite naturally, to education. Education was directed to orphans and the poor; therefore, the proceeds from the sale of these confiscated church lands went for the purpose of public education.<sup>43</sup>

#### Lotteries

Maddox reported that by the latter part of the eighteenth century, there was a move to establish a lottery for the purpose of funding public education while avoiding taxes. In Virginia it was one of the chief methods of providing public funds for all manner of purposes. Private lotteries were prohibited in Virginia in 1779, but from 1785-1805 there were more than 50 lotteries permitted by statute. Lotteries supplied direct revenue to schools for operating expenses. The charity school at Fredericksburg Academy, 1789, Transylvania Seminary (later Transylvania

---

<sup>41</sup> Sue Roberson West, *Buckingham Female College Institute, A Documentary History* (Charlotte, N.C.: Delmar Printing, 1990), pp. 15 & 53.

<sup>42</sup> *Ibid.* p. 281.

<sup>43</sup> Maddox, p. 43.



University) 1790, and academies at Southampton and Rodfish Gaps, 1790, were a few of a number of schools subsidized by the lotteries.<sup>44</sup>

### Property Tax

By the nineteenth century a direct tax on property in support of public schools was exceptional, although it does appear in early statutes. By the Act of 1806 the town of Charlottesville was authorized to elect trustees who would be granted the authority to lay a levy on property, personal and real, to the extent of \$200 for the purpose of establishing a *public school or seminary*.<sup>45</sup>

In summarizing the attempts at providing elementary education during the colonial period, Heatwole observed:

(a) that the general laws providing for the training of the children were in the nature of apprenticeship regulations, containing provisions for the training of the children in reading, writing, the catechism, and in the art of some trade, these laws referring exclusively to orphans and poor children of the colony; (b) that by the philanthropic spirit of some men of wealth in the colony, free schools were endowed at which poor children of many parishes received their elementary training; (c) that community schools were organized and set up by a cooperative spirit among the families of the planters and merchants, who, agreeing upon a teacher, paid a fee for the tuition of their children; and (d) that the leading planters and most wealthy men of the colonies depended almost wholly for the education of their children, in the elementary branches at least, upon a tutor employed by the family.<sup>46</sup>

Heatwole also stated there was no attempt to develop a state system of education until Jefferson's plan of 1779.<sup>47</sup>

### Contributions of Thomas Jefferson

One could not adequately study the origin of the public schools without noting the influence of Thomas Jefferson on its development. According to Honeywell, "Jefferson was among the foremost advocates of appropriate and progressive education for all, and of that cornerstone of democracy, the American public school."<sup>48</sup> Jefferson not only gained prominence of the first order in the field of politics, but set in motion political and social tendencies which

---

<sup>44</sup> Ibid. p. 46.

<sup>45</sup> Ibid.

<sup>46</sup> Heatwole, p. 58.

<sup>47</sup> Ibid. p. 61.

<sup>48</sup> Roy J. Honeywell, *The Educational Works of Thomas Jefferson* (Cambridge, Mass.: Harvard University Press, 1931), p.xv.

have vitally influenced American life ever since. His educational plans were a very necessary part of his political and social reforms, and his educational ideas were as vital as were his political theories.<sup>49</sup>

According to Heatwole, Jefferson's proposed plan of public education in 1779 was based upon his political philosophy of local self-government and provided for no higher authority for administration than the local district or county.<sup>50</sup> Knight noted that Jefferson's famous *Bill for the More General Diffusion of Knowledge*,

...was not only the first definite proposal of sound principles for public school support and control in this country, but it seemed to be the first plan for a complete state school system from the elementary schools through the university ever made in the western world.<sup>51</sup>

Monroe, in agreement with Knight, indicated in his book, *History of Education*,

Of all the early statesmen Thomas Jefferson possessed the clearest grasp of the national significance of education and did most to promote such activities. The principle fundamental to this view we are now considering was announced in a letter to Washington in 1786, "It is an axiom in my mind that our liberty can never be safe except in the hands of the people themselves and that too with the people of a certain degree of instruction. This is the business of the state to effect and on a general plan."<sup>52</sup>

Jefferson's plan consisted of nineteen sections which included the following:

Section 1. The reasons for education were contained in this section. Government was the predominant purpose for education. Jefferson concluded that education should be financed by all instead of allowing the weak and wicked to control because of a failure to educate all the people.

Section 2 and 3. The election of three aldermen for each county in the Commonwealth was included in these sections. These officials would administer the schools for the community. Also within these areas were the details for holding and reporting elections.

Section 4. The time the aldermen were to meet and divide the counties into hundreds was stated in this section. These hundreds were to be named and registered with the court and were to be formed to include enough children to compose a school which they were to attend daily.

---

<sup>49</sup> Ibid.

<sup>50</sup> Heatwole, p. 101.

<sup>51</sup> Edgar W. Knight, *A Documentary History of Education in the South Before 1860*, Vol. 5 (Chapel Hill, N.C.: University of North Carolina, 1953) p. 2.

<sup>52</sup> Monroe, p. 713.

Section 5. Included in this area was a discussion of the method to select the location for schoolhouses. It also included an outline for keeping schoolhouses in repair and, if necessary, for rebuilding them.

Section 6. The curriculum of the schools was outlined in this section. It was to include reading, writing, and arithmetic. The books used to instruct the children in reading were to consist of the history of Greece, Rome, England, and America. The schools were to be open to all free children, male and female, within the hundred. They were to receive free tuition for the first three years and as much longer at their private expenses as they could afford.

Section 7. This part was concerned with the selection of an overseer to be appointed annually by the aldermen. He was to perform the following duties: a. Appoint and remove teachers. b. Visit each school at least once each six months. c. Examine the pupils to ascertain that a general plan of reading and instruction recommended by the visitors of William and Mary College was being performed. d. Supervise the school conduct of the teachers.

Section 8. The following was expressed in this part:

Every teacher shall receive a salary of \_\_\_\_\_<sup>53</sup> by the year, which, with expenses of building and repairing the school-houses, shall be provided in such manner as other county expenses are by law directed to be provided and shall also have his diet, lodging, and washing found him, to be levied in like manner, save only that such levy shall be on the inhabitants of each hundred for the board of their own teacher only.

Section 9. The overseers within certain selected groups of counties were to meet to decide upon a location within their group of counties where a grammar school house should be located.

Section 10. The method for obtaining the lands for the grammar schools was described in detail in this section.

Section 11 and 12. The construction of a grammar school house and how to obtain the money from the public treasury to build it were described in these parts.

Section 13. What would be taught in the grammar schools was described in this area.

Section 14. To oversee the grammar schools was a visitor who was to be appointed for each county within the group. The visitor was to employ and remove, if necessary, the master

---

<sup>53</sup> The salary was left blank for each locality to fill in as desired.

and an usher for the school. He was also to set the price for tuition and ensure that the students were instructed properly.

Section 15. The master was to select a steward. He was to operate the housekeeping department of the school. Details about the payment of tuition also were discussed.

Section 16. Each overseer of a lower school was to appoint the most promising boy, whose parents were too poor to give him further education, to proceed to the grammar school of that area. The aldermen were to ratify the appointment and if they were opposed to the selected youth, choose a different one.

Section 17. Twenty dollars per year was to be paid for the education of the chosen youth.

Section 18. The one-third of the chosen boys who were rated the lowest were to be dropped from the public payments after they had attended the grammar school one year. Only one boy was to continue at public expense after two years.

Section 19. The districts of the state were to be divided into two groups. One senior from each group was to be selected biennially to attend the college of William and Mary at public expense.<sup>54</sup>

Jefferson's plan failed to materialize primarily because the matter of determining whether a school should be established at all was left up to local authorities.<sup>55</sup> Jefferson's plan provided that schools would be supported by a general tax on property.<sup>56</sup> Those in authority represented the aristocratic element. In many instances they did not see the logic of taxing themselves to establish an institution which they themselves would not patronize. They considered it a plan to educate the poor at the expense of the rich.<sup>57</sup>

Popular support for Jefferson's plan failed to gain momentum for other reasons. Virginia was divided both geographically and demographically. Its people were as diverse culturally as the land divisions within the state were topographically. It remained difficult to agree on important internal matters because of ethnic, religious, and economic differences of its citizens. Since wealthy landowners controlled most of the power in the state, the concept of public education was certain to languish.

---

<sup>54</sup> Paul L. Ford, ed., *The Works of Thomas Jefferson* (New York: G.P. Putnam's Sons, 1904), pp. 414-426.

<sup>55</sup> Heatwole, p. 101.

<sup>56</sup> Honeywell, p. 14.

<sup>57</sup> Heatwole, p. 101.

The end of the eighteenth century brought meager advancement of the public school movement. The fact that the children of the upper stratum of the colonial society did not attend free schools emphasized the idea, popular in both England and Virginia, that such schools were for paupers. This idea persisted for many years after the close of the colonial period, and retarded popular desire and demand for education.<sup>58</sup> Ministers continued to do most of the teaching in the schools, and doubtlessly carried on most of the tutoring in the houses of the landed gentry. Education was available for these children of the wealthy and to some orphans and pauper children. For the others, education was at best a hit and miss affair.<sup>59</sup>

Social and economic conditions in Virginia with its periods of Indian warfare, rebellion, and privation, as well as the structure of the colonial society itself, with its plantation system and its large proportion of indentured servants and slaves, did not provide a favorable setting for the growth of public education.<sup>60</sup> Knight indicated that the Southern plantation system did not lend itself to the establishment of free public schools. He stated that “with no towns, no diversity of pursuits, and with a population widely dispersed over vast areas, compact communities were impossible and local community interest in schools and the means of education was naturally slow to show itself.”<sup>61</sup>

### Summary

Free public education was slow to develop in Colonial Virginia. The main barriers to its growth were the attitudes that the people themselves possessed toward a tax supported system. Political power rested in the hands of the wealthy landowners who did not see the logic in taxing themselves to pay for the free education of others. The anti-tax sentiment transcended to the average citizen because of the perceived oppressive nature of England’s pre-revolution taxing practices. These prevailing opinions retarded ideas about education that was free.

Regardless of these sentiments there were numerous attempts to provide education for the poor during the colonial period. Among these were: charity schools that were supported by private philanthropists; Sunday schools that derived support from the church; Lancasterian schools which were successful due to their low overhead, old field schools; and apprenticeship

---

<sup>58</sup> Buck, p. 21.

<sup>59</sup> Ibid.

<sup>60</sup> Ibid. p. 24.

<sup>61</sup> Knight, p. 20.

opportunities for orphans. The wealthy retained the services of tutors for their children and fought any type of change to support the poor. Those that could afford to pay tuition attended academies which provided secondary education opportunities.

Thomas Jefferson became the main political spokesman for free education and proposed a state system in his *Bill For The More General Diffusion Of Knowledge*. His plan failed to gain support primarily because it called for support through local taxation. Virginia was a large and very diverse state where unity of purpose was near impossible to achieve. Jefferson's desire to educate the populace came from his reasoning that knowledge would enable the citizens to recognize and preserve their democratic rights. Although his plan failed, this ideal remained a strong argument for continuing the quest for universal education.

## Chapter 3

### THE ESTABLISHMENT AND EARLY YEARS OF THE LITERARY FUND 1810-1870

Funding for public education received a boost in 1810 with the passage of a bill establishing the Literary Fund. The leadership to pass such a law came from Governor John Tyler argued boldly and vigorously for a state appropriation for education.<sup>1</sup> In his message to the General Assembly in 1809 Governor Tyler assailed the body for “its failure, by reason of a fatal apathy and a parsimonious policy, to provide state schools.”<sup>2</sup> What followed in 1810 was the passage of the first bill in Virginia to set aside money for public education. The authorship of this bill was claimed by both James Barbour and Charles Fenton Mercer. Barbour was Speaker of the House of Delegates in 1809 and appointed the committee that was responsible for creation of the Literary Fund. Although Mercer was a current member of the General Assembly, he was not a member of the afore-mentioned committee.<sup>3</sup> Nevertheless, both men were friends of the common school movement and champions of public education.

The bill establishing the Literary Fund passed the House on January 24, 1810 and the Senate, February 8, 1810,

Be it enacted; that all escheats, confiscations, fines, penalties and forfeitures, and all rights in personal property accruing to the Commonwealth, as derelict, and having no rightful proprietor, be, and the same are hereby appropriated to the encouragement of learning. That the aforesaid fund shall be appropriated to the sole benefit of a school or schools, to be kept in each and every county within this Commonwealth.<sup>4</sup>

The Act instructed the Second Auditor of the State Treasury, James Brown Jr., to open an account with the treasurer to be known as The Literary Fund. The Act further stated that:

The Fund will be divided and appropriated as to the next legislature sees best adapted to the promotion of literature ... Its direction is cast into the “Act to provide for the education of the Poor,” in which is made a “solemn protest” against any future legislature’s misapplying the Literary Fund to any other purpose than that of the education of the Poor. The President and the Directors of the Fund shall, as soon as sufficient funds be provided, establish schools for the education of the poor in each and every county and shall appoint an agent in every county to look after the returns to the fund and to prevent misappropriation.<sup>5</sup>

---

<sup>1</sup> Maddox, p.47.

<sup>2</sup> Ibid.

<sup>3</sup> Ibid.

<sup>4</sup> *House Journal*, Feb. 2, 1810, Chap. 14, p. 15.

<sup>5</sup> *Acts of Virginia Assembly*, Feb. 12, 1811, Chap. 8, pp. 8-9.

The management of the Fund was vested in a board of the president and the directors of the Literary Fund, which was comprised of the following state officers by virtue of their office: the Governor, Lieutenant Governor, Treasurer, Attorney's General, and President of the Court of Appeals.<sup>6</sup>

Buck reported that the Literary Fund constituted a very significant achievement in the slowly emerging idea that the Commonwealth had a responsibility for subsidizing free schools. Although it was true that the Literary Fund was established initially to serve only poor children whose parents or guardians could not afford to pay for education, it did represent the first provision for state funds in Virginia to finance a statewide program of free schools.<sup>7</sup>

The first financial report of the Literary Fund Board was made to the General Assembly on December 16, 1811 and stated, "that on the first day of December 1811, the sum in the treasury belonging to the Literary Fund amounted to \$12,904.60."<sup>8</sup> The optimism that this fund would provide the necessary impetus for the establishment of free public education was obvious in this report as it further stated:

When the legislature contemplated the various and important sources from which the revenues of this institution could be derived, and considered the sum actually received since its establishment, they will see that there exists the fairest prospects that their laudable intentions of establishing a permanent and general system of public instruction will eventually be realized. The best intelligence express their strong sense of the utility of the institution (the Literary Fund). There are many difficulties due to the infancy of such an establishment ... but we think the Literary Fund will reflect lustre on the Commonwealth and will promote happiness; and by a diffusion of information so essential to liberty, will hand down our free and happy institutions, ... and that a general system of instruction will eventually be realized.<sup>9</sup>

A solution to the problem of augmenting the Literary Fund was proposed in 1816 by Charles Fenton Mercer, then Chairman of the House Committee on Finance.<sup>10</sup> Mercer proposed that the General Assembly deposit to the credit of the Literary Fund a refund from the United States of about \$400,000. This was repayment by the federal government of a loan made by Virginia to help prosecute the War of 1812. Mercer further proposed that all future payments from the federal government of the loans made by Virginia, February 20, 1812, for the

---

<sup>6</sup> Ibid. p. 9.

<sup>7</sup> Buck, pp. 28, 29.

<sup>8</sup> Literary Fund, *Minute Book*, 1811, no. 1, p. 20.

<sup>9</sup> Ibid.

<sup>10</sup> Ibid. p. 54.



prosecution of the War of 1812, be likewise added to the Fund.<sup>11</sup> The bill passed and the Literary Fund balance jumped from less than \$50,000 to \$450,000 with the assurance of becoming \$1,000,000 when all the federal money was repaid.<sup>12</sup> Table 1 illustrates the Literary Fund balances from 1811-1818.

Table 1. — Literary Fund Balances — 1811-1818

Date	Amount
December 1, 1811	\$12,104.60
December 14, 1812	\$21,705.40
December 24, 1813	\$28,544.86
November 7, 1814	\$31,744.81
December 19, 1815	\$43,252.90
December 7, 1816	\$408,397.55
December 18, 1817	\$903,808.36
December 19, 1818	\$1,067,504.36

Source: Literary Fund, *Minute Book*, no. 1, p. 20-151

---

<sup>11</sup> House *Journal*, 1816, p. 177.

<sup>12</sup> Maddox, p.55.

## The Act of 1818

Mercer together with Jefferson continued to be the main spokesmen for public education in Virginia during the early 1800s but their philosophical plans for education were quite different. Mercer favored state taxation and partial state control, whereas Jefferson felt that while education should be financed partially from state sources, that control should rest firmly at the local level.<sup>13</sup> Maddox observed that “subsequent development in this state has seemed to justify Mercer’s claim that people left to themselves move slowly toward good schools.”<sup>14</sup> Although Jefferson’s plan for a system of free local public schools failed, he was able to keep alive his hopes for a state- supported university. This dream became a reality as a result of a bill that passed the legislature in February, 1818. This bill, an “Act Appropriating Part of the Revenue of the Literary Fund and for other Purposes,” set aside \$15,000 annually for the support of a state university, [later the University of Virginia] while \$45,000 was given to the education of the poor.<sup>15</sup>

The new schools that would benefit from the Literary Fund were to be governed by fifteen school commissioners in each county. The money was to be divided among the counties and cities of the state and only benefit children of indigent parents.<sup>16</sup> Counties were allotted funds at the rate of three and a half to four cents a pupil for each day they were in actual attendance.<sup>17</sup>

Not everyone viewed the passage of this bill which set aside an annual appropriation for a state university as a victory for free public education and public support was divided geographically and economically. The rich and politically influential citizens of aristocratic Tidewater supported the university, but westerners saw this act as siphoning off money from primary schools. The goal of providing a state free school system for all classes had not been created and the distinctions in the education of the rich and the poor still remained. However, an economic base to support tax-free schools and a state university had been established and many legislators thought improvements would follow. The middle class was not aided by the Literary

---

<sup>13</sup> Ibid. p. 61.

<sup>14</sup> Ibid.

<sup>15</sup> *Acts of Virginia Assembly*, Feb. 21, 1818, p. 14.

<sup>16</sup> Maddox, p. 74.

<sup>17</sup> Heatwole, p.106.

Fund and would have to fight for their educational rights and benefits.<sup>18</sup> Dabney stated “the friends of free public schools were disappointed. Although the state by this act committed itself to a quasi-system of schools, no system of universal education was created by it.”<sup>19</sup>

Maddox reflected similar discontent with the Act of 1818 as it pertained to the common school movement,

The Act of 1818 made primary education a gift to the destitute, to those willing to accept the brand of pauperism in a social system based on wealth and caste. The State University, hardly begun, was already looked upon as an institution for the Privileged classes. The intermediate schools, necessary to bridge the gap between the primary schools and the university, had not been subsidized. The great body of small taxpayers “the bone and sinew of the state,” as one florid governor put it, were still struggling with the problem of providing education for their children.<sup>20</sup>

These difficulties placed elementary education beyond the reach of large numbers of the children throughout the Commonwealth. Members of the General Assembly were concerned that the Literary Fund was an insufficient source of income to foster education, and ultimately additional revenue would have to be raised through taxation. Although the Act of 1818 had its shortcomings, Maddox suggested that it would prove significant because the Commonwealth had assumed (in principle) state control of those schools and pupils accepting the provisions of the act.<sup>21</sup>

Until 1818 the Literary Fund had been utilized primarily as a source for educating indigent school children in the Commonwealth. By the Act of 1818 the Legislature appropriated some of the proceeds of the Fund to higher education, namely the University of Virginia. Other colleges did benefit from the Fund at various times in the 1800s. Heatwole noted: In 1824 the General Assembly appropriated \$180,000 to the debts incurred on the building of the University of Virginia; in 1842 \$1,500 was allowed the Virginia Military Institute at Lexington; the Medical College in Richmond received \$25,000 in 1850; and on several occasions, Hampton Sydney College and the College of Emory and Henry received gifts from this fund.<sup>22</sup>

---

<sup>18</sup> Charles William Dabney, *Universal Education in the South*, Vol. 1 (Chapel Hill, N.C.: University of North Carolina Press, 1936), p. 40.

<sup>19</sup> *Ibid.*

<sup>20</sup> Maddox, p. 90.

<sup>21</sup> *Ibid.*, p. 75.

<sup>22</sup> Heatwole, p. 107. Seventeen academies in various parts of the Commonwealth also received appropriations from the Literary Fund for short periods of time.

## District Free School Act of 1829

A significant change in the appropriation of Literary Fund money occurred in 1829 with the passage of the *District Free School Act*. By this Act the Virginia General Assembly authorized local school commissioners, under certain conditions, to appropriate funds for buildings:

Whenever the inhabitants of any one of the said districts shall, by voluntary contribution, have raised three-fifths of the amount necessary to build, either in the centre, or such other part of the district as may be agreed on with the school commissioners of their county, a good and sufficient schoolhouse, of wood, stone or brick, it shall and may be lawful for the said school commissioners to appropriate, out of the annual quota of their county, the remaining two-fifths of the amount requisite for said buildings: Provided, such appropriation shall in no case exceed ten per centum on said quota; and provided, the building erected, together with the ground on which it stands, not exceeding one acre, shall forever thereafter be vested in the President and Directors of the Literary Fund, to be held for the exclusive use of the district in which it shall have been so erected.<sup>23</sup>

The provisions of this act were as follows:

(1) Each county was to be divided into districts from three to seven miles square, at the most convenient point of which a school was to be erected.

(2) Whenever the inhabitants of such a district would contribute three fifths of a sum necessary to provide a schoolhouse, the school commissioners were authorized to supply the remaining two fifths from their annual quota of the Literary Fund, provided it did not exceed 10 per cent of their county quota, and provided one acre of land, at least, was set aside forever for school purposes.

(3) The county school commissioners were authorized to give one hundred dollars out of the Literary Fund quota toward the salary of a teacher whenever the community would supplement it with a like sum.

(4) Schools were made free to all alike, to be controlled by three district trustees, two elected by the annual contributors and one by the county school commissioners.

(5) The Second Auditor was given greater administrative powers, and the Board of Directors of the Literary Fund-now consisting of the Governor, Treasurer and Second Auditor-was given general supervision of the state system.<sup>24</sup>

This 1829 Act proved unsuccessful in establishing a system of free schools because the provisions were optional and it received scant support in either the eastern or western geographical regions of the Commonwealth. The Superintendent of the Literary Fund expressed

---

<sup>23</sup> *Acts of Virginia Assembly*, Feb. 25, 1829, Chap. 14, pp. 13-14. and *Code of Virginia*, 22.1-125. The title to all school property, both real and personal, within a school division is now vested in the school board.

<sup>24</sup> Maddox, p. 98.

the opinion in his first report that it [*Act of 1829*] was destined to failure because it did not compel local taxation on property.<sup>25</sup> Maddox summed up its failure for three sufficient reasons:

- (1) It necessitated local initiative and co-operation, the machinery of political democracy which had not yet been effected;
- (2) It provided no state system of public taxation or school administration;
- (3) To such a sparsely settled country the scheme was ill adopted. It was frequently impossible to find a center of population sufficiently dense to support a school which could be reached by children in time for school in the morning.<sup>26</sup>

#### Diversion of Literary Fund Revenue 1829-1838

Another Act passed in 1829, *An Act Concerning the Library*, that affected the use of the Literary Fund money and caused further diversion of funds. This bill authorized a loan of six thousand dollars at six percent interest per annum from the uninvested capital of the fund. This was to be paid to the Public Library for operating expenses.<sup>27</sup>

A similar act passed the General Assembly a year later in 1830 entitled, *An Act Concerning the Public Library*. This law appropriated four thousand dollars from the Literary Fund to the public library while suspending payment of the earlier loans of six thousand dollars from the 1829 Act.<sup>28</sup>

Revenue in the amount of twenty thousand dollars was appropriated from the Literary Fund in 1838 by *An Act to Provide for the Establishment of the Virginia Asylum for the Education of the Deaf and Dumb and of the Blind*. This money was designated for start-up and an additional annual sum of ten thousand dollars was appropriated the school's maintenance needs.<sup>29</sup>

Proponents of common schools continued to lobby forcefully against further diversion of the Literary Fund revenues during the 1830s. It was the common belief of the governors that held office during this decade, including John Floyd, Littleton Tazewell, and David Campbell, that proceeds from the Literary Fund alone were not even enough to educate the indigent.

David Campbell, Governor of Virginia in 1838, used his annual message to speak out in favor of increased spending for the common school movement. He stated:

---

<sup>25</sup> Ibid.

<sup>26</sup> Ibid., p. 103.

<sup>27</sup> *Acts of Virginia Assembly*, 1829, pp. 9-10.

<sup>28</sup> Ibid., 1830, p. 11.

<sup>29</sup> Ibid., 1838, pp. 32-33.

The importance of an efficient system of education, embracing in its comprehensive and benevolent design the whole population, cannot be too frequently recurred to. The obligation to provide such a system is among the first duties of the legislature.<sup>30</sup>

Campbell felt that more of the Literary Fund revenue should be used to foster education for all. He proposed:

Apply the surplus (of the Literary Fund) to the endowment of common schools throughout the whole state, for the education of the children of the great body of the people, and of all classes.<sup>31</sup>

Campbell concluded that the education of indigent children had not been successful under the Literary Fund because approximately one-half never attended school due to either parental neglect or the absence of schools within convenient distances.<sup>32</sup>

#### Acts of 1846

Although the Literary Fund did not provide sufficient funds to educate adequately Virginia's youth, it did provide a structure on which a better system could be developed. If illiteracy were to be significantly reduced throughout the Commonwealth a system of common schools would have to be provided. An important step in that direction occurred in 1846 with the passage of the following three acts:<sup>33</sup>

(1) *Act to Amend the Present Primary System . . .* The first act proved to be a significant advance in the evolution of a system of public schools. By this law, each county was divided into districts and a commissioner was to be appointed for each district. The commissioners of all the districts constituted a county school board which elected a superintendent of schools for the county. This act allowed for local taxes to support the proposed schools but this measure was left up to county initiative. A petition signed by one-third of the qualified voters of the county was necessary to call an election to vote on local taxes and two-thirds of the voters had to approve any tax measure before it could be enforced. If tax measures were not enacted the Literary Fund would continue to provide for the students' education with its limited revenue.<sup>34</sup> The

---

<sup>30</sup> House *Journal*, Document 1, Jan. 7, 1839, p. 2.

<sup>31</sup> *Ibid.*, Document 1, Jan. 1, 1838, p. 4.

<sup>32</sup> *Ibid.*, Document 1, Jan 7, 1839, p. 3

<sup>33</sup> Buck, p. 53.

<sup>34</sup> *Acts of Virginia Assembly*, 1846, p. 37.

commissioners were to provide for the enumeration and registration of all the *poor* children in his district who under previous enactments were entitled to free tuition.<sup>35</sup>

(2) *Act for the Establishment of a District Public School System* . . . The second act was left to the option of the county to accept or reject at the polls.<sup>36</sup> Under this act, all white children, both boys and girls, living in the district were authorized to attend free of charge. Provisions for the county superintendents were omitted but each district was to elect three trustees to govern the schools.<sup>37</sup>

These two acts, because of their permissive clauses, did little to establish common schools. The previous methods that the state had employed to educate students continued, but provisions had been made for one unified system.

(3) *A Special Act Of February 25, 1846* . . . The third act was an effort to establish directly by statute a complete district free school system in certain counties which had already indicated by voluntary citizens' petitions a favorable attitude toward local taxation for education.<sup>38</sup> Tuition free education for all white children between the ages of 5 and 21 years of age was provided by this act. The assent of two-thirds of the electors of the county was required before this plan could be put into operation.<sup>39</sup> The sentiment among most county voters was one of outrage against the tyranny of the state in imposing a direct tax on its citizens.<sup>40</sup> In a few specific instances, the plan was adopted by a majority vote of the electors. Albemarle, Norfolk, and Washington counties were given this special privilege.<sup>41</sup>

As a result of the Act of 1846, friends of education again were reminded of the difficulties that prevailed in establishing a common school system for the Commonwealth. Securing compulsory taxation for schools to help augment the Literary Fund seemed impossible in the years leading up to the Civil War. Education remained a political and economic debate among citizens, legislators, and reformers prior to 1861. That year marked the end of the Literary Fund as a means to educate indigent children in the Commonwealth of Virginia. After the War, its uses would be very different.

---

<sup>35</sup> Maddox, p. 155.

<sup>36</sup> *Ibid.*, p. 156.

<sup>37</sup> *Acts of Virginia Assembly*, 1846, p. 37.

<sup>38</sup> Maddox, p. 157.

<sup>39</sup> *Acts of Virginia Assembly*, 1846, p. 38.

<sup>40</sup> Maddox, p. 157.

<sup>41</sup> Heatwole, p. 103.

In the secret session of the Virginia Convention of 1861, which passed the Ordinance of Secession, the revenue of the Literary Fund, except the customary appropriation to the University of Virginia, and to the Virginia Military Institute, was appropriated for the military defense of the Commonwealth and the primary schools were, in consequence, suspended.<sup>42</sup> The Literary Fund Minute Book recorded the following in 1861:

Ordered that the Second Auditor pay to the Auditor of Public Accounts the whole revenues of the Literary Fund, as provided for the purpose expressed in the Ordinance of the Virginia Convention passed June 26, 1861, respecting the revenue of the Literary Fund.<sup>43</sup>

### Summary

The establishment of the Literary Fund in 1810 marked the beginning of state support for public education in Virginia. Its original purpose was to provide education for indigent children in the state, but its purpose and usefulness was debated in the Commonwealth until the revenue was depleted in preparation for the anticipated Civil War. The revenue from which the Literary Fund was financed came from fines, forfeitures, penalties, confiscations, escheats, and repayment of the debt for the War of 1812. These sources provided a constant, dependable flow of money for the Literary Fund. Even prior to the diversion of funds, education supporters in the 1800s recognized that this revenue source was not enough to finance a public school system for all students and thus sought support from taxation to implement this goal. Critics pointed out that only one-half of the indigent students were served by the Literary Fund and the middle class had minimal educational opportunities.

The dedicated revenues intended for the Literary Fund often were diverted for other purposes, which further intruded upon its effectiveness as a funding source for public schools. Money was appropriated from the Literary Fund for higher education learning including an annual sum set aside for the University of Virginia, as well as several academies. It became a funding source for the Public Library, the School for the Deaf, Dumb, and Blind, and by the Act of 1829, revenues from the Literary Fund began to be used to fund construction grants for school buildings.

---

<sup>42</sup> Maddox, p. 169.

<sup>43</sup> *Literary Fund Minute Book C*, 1861, p. 244.



Education supporters sought legislative means to acquire more funding for education through taxation measures. The Act of 1829 attempted to set up a system of public schools but did not require local taxation for their support. Likewise, The Acts of 1846 provided a good framework for the establishment and governance of common schools but the permissive language of these laws failed to successfully generate the tax revenue that was needed to make common schools a reality.

The citizenry of the state, in 1860, still viewed taxation as a tyrannical vehicle that usurped their freedom. As a result, at the time of the Civil War, free universal education had not gained acceptance throughout the Commonwealth. The means to educate the populace remained much the same as it had since the beginning of the century. Wealthy landowners provided for the education of their children privately, and the poor were provided rudimentary education through the Literary Fund. The middle class still lacked effective measures to care for the education of their children.

Although the Literary Fund did not prove adequate for the provision of universal education, it did serve as a base upon which to build. It set an important precedent by providing state revenue for educational needs thereby giving credence to the fact that education is a state function. It provided instruction for many children throughout Virginia serving 63,370 poor white children in 1851 and 54,232 in 1859.<sup>44</sup> Although Virginia had not established a free public school system prior to 1861, certain significant principles for such a system had been accepted through the enactment and development of the Literary Fund, including the framework designed by the Acts of 1846.

---

<sup>44</sup> Heatwole, p. 109.

Chapter 4  
THE LEGISLATIVE PERIOD OF FREE PUBLIC EDUCATION  
1871-1900

The years 1861-1865 mark a tragic era in the history of the United States. The South was torn apart politically, socially, economically, and physically in the wake of the Civil War and it would take years for recovery to occur. Since Virginia served as a major battleground throughout the War, its industries, buildings, and lands were all ravaged. Property values diminished as a result, and many Virginians found themselves impoverished with dim outlooks for the future. Virginia's inhabitants had prospered as an agrarian society as cotton, tobacco, and other crops had determined their wealth. The plantation system, based on slave labor, was no longer the powerful entity that it embodied prior to the war and the emancipation of the slaves. Wealthy landowners had represented the aristocratic elite and wielded the political power. After the Civil War, the Commonwealth was occupied by northern reconstructionists associated with carpetbaggers and equalitarian theory.

The aftermath of the Civil war also presented Virginia new and challenging problems with respect to education. Heatwole reported that white illiteracy had grown from 48,912 in 1860 to 67,997 in 1870 and only one-half of the white population was being educated by the public schools.<sup>1</sup> Also there were no educational provisions for former slaves which comprised two thirds of the total population of the state.<sup>2</sup> The white man's apathy toward free *literary* schools that had been prevalent before the War was exacerbated by the reconstructionists' plan to force racial equality within the Commonwealth by educating both races in one common system of free schools. This idea, coupled with the need to incorporate public expense at a time when the state was staggered with debt, sufficiently retarded public support for free universal education.

The Underwood Constitution of 1869

The post war educational dilemma was addressed by a convention which convened December 3, 1867 and consisted of 105 members. This convention was named the Underwood Convention from the name of its president, Judge John C. Underwood from New York.

---

<sup>1</sup> Heatwole, p.213.

<sup>2</sup> Ibid. p.210

According to Heatwole, the members consisted of 33 conservatives and 72 radicals, 24 of whom were Negroes.<sup>3</sup> The Underwood Constitution was the result of this convention and brought the first unequivocal mandate to the governing officials of Virginia to provide for general public education.<sup>4</sup> Buck describes the participants of the convention as a “motley group of scalawags, carpetbaggers, and Negro allies who met under the protection of military authorities and assumed to speak for the people of Virginia.”<sup>5</sup> No doubt this assortment of elected officials created resentment among many people of Virginia.

The new constitution that was developed contained the first provision for a complete system of public education in Virginia. This Act of Congress passed July 6, 1869 and provided the means by which Virginia was to be readmitted into the Union. It stated that, “The Constitution of Virginia shall never be so amended or changed as to deprive any citizen or class of citizens of the United States of the school rights or privileges secured by the Constitution of the said State.”<sup>6</sup>

Virginia’s post war constitution contained an education article which established the organizational structure by which universal public education would be compulsory. It required a State Superintendent of Public Instruction and gave power to a State Board of Education for the management and investment of all school funds. It stated:

The general assembly shall elect in joint ballot within thirty days after its organization under the constitution and every fourth year thereafter a superintendent of public instruction. He shall have the general supervision of the public free school interests of the State, and shall report to the general assembly for its consideration within thirty days after his election, a plan for a uniform system of free schools.<sup>7</sup>

The Literary Fund, capitation taxes<sup>8</sup>, and property taxes were targeted as revenue sources for education purposes by this act. Local taxation for schools was not compulsory, but each county and public school district was authorized to raise money by these taxes. Possibly one of the most important sections of this article gave the Commonwealth the power to make laws that would prohibit parents to allow their children to grow up in ignorance. This education article represented the first constitutional foundation for public education in Virginia. Although it

---

<sup>3</sup> Ibid. p. 214.

<sup>4</sup> Buck, p. 65.

<sup>5</sup> Ibid.

<sup>6</sup> *Constitution of Virginia*, (1869).

<sup>7</sup> Ibid., Article 8, Section 1.

<sup>8</sup> A capitation tax is a direct uniform tax imposed upon each head or person.

provided for state taxation, it allowed local autonomy to remain. The complete education article follows:

### Article VIII

Constitutional Provisions for Education – SECTION 1 ...The general assembly shall elect in joint ballot within thirty days after its organization under this constitution, and every fourth year thereafter, a superintendent of public instruction. He shall have the general supervision of the public free school interests of the State, and shall report to the general assembly for its consideration, within thirty days after his election, a plan for sums of any one year in any public free school district a uniform system of public free schools.

SEC.2. There shall be a board of education, composed of the governor, superintendent of public instruction, and attorney-general, which shall appoint and have power to remove for cause and upon notice to the incumbents, subject to confirmation by the senate, all county superintendents of public schools. This board shall have, regulated by law, the management and investment of all school funds,<sup>9</sup> and such supervision of higher grade as the law shall provide.

SEC.3. The general assembly shall provide by law at its first session under this constitution a uniform system of public free schools, and for its gradual, equal, and full introduction into all the counties of the State by the year 1876, or as much earlier as practicable.

SEC.4. The general assembly shall have power, after a full introduction of the free school system, to make laws as shall not permit parents and guardians to allow their children to grow up in ignorance and vagrancy.

SEC.5. The general assembly shall establish, as soon as practicable, normal schools, and may establish agricultural schools and such grades of schools as shall be for public good.

SEC.6. The board of education shall provide uniformity of textbooks, and the furnishing of schoolhouses with such apparatus and library as may be necessary, under such regulations as may be provided by law.

SEC.7. The general assembly shall set apart as a permanent and perpetual “literary fund” the present literary fund of the State. The proceeds of all public lands donated by Congress for the public school purposes, of all escheated property, of all waste and unappropriated lands, of all property accruing to the State by forfeiture, and all fines collected for offenses committed against the State, and all such other sums as the general assembly may appropriate.

SEC.8. The general assembly shall apply the annual interest on the literary fund, the capitation tax provided for by this constitution for public free school purposes, and an annual tax upon the property of the State of not less than one mill nor more than five mills on the dollar, for the equal benefit of all the people of the State, the number of children between the ages of five and twenty-one years in each free public school district being the basis of such division. Provision shall be made to supply children attending the public free schools with necessary textbooks in cases where the parent or guardian is

---

<sup>9</sup> The Virginia Board of Education was placed in charge of the Literary Fund by this constitution. Prior to this, the Literary Fund had been administered by the Board of the Literary Fund.

unable, by reason of poverty, to furnish them. Each county and public free school district may raise additional sums by tax on property for the support of free public schools. All unexpended sums of any one year in any public free school district shall go into the general school fund for redivision the next year: Provided, That any tax authorized by this section to be raised by counties or school districts shall not exceed five mills on a dollar in any one year, and shall not be subject to redivision, as herein before provided in this section.

SEC.9. The general assembly shall have the power to foster all higher grades of schools under its supervision, and to provide for such purpose a permanent educational fund.

SEC.10. All grants and donations received by the general assembly for educational purposes shall be applied according to the terms prescribed by the donors.

Sec.11. Each city and county shall be held accountable for the destruction of school property that may take place within its limits by incendiaries or open violence.

SEC.12. The general assembly shall fix the salaries and prescribe the duties of all school officers, and shall make all needful laws to carry into effect the public free school system provided for by this article.

County Organizations. And there shall be appointed, in the manner provided for, in Article VIII, one superintendent of schools; Provided, That counties containing less than eight thousand inhabitants may be attached to adjoining counties for the formation of districts for superintendents of schools; Provided also, there may be appointed an additional superintendent of schools therein. All regular elections for county officers shall be held on the first Tuesday after the first Monday in November, and all officers elected or appointed under this provision shall enter upon the duties of their offices on the first day of January next succeeding their election and shall hold their respective offices for the term of three years.

School Districts. Each township shall be divided into as many compactly located school districts as may be deemed necessary: Provided, that no school district shall be formed containing less than one hundred inhabitants. In each school district there shall be elected or appointed annually one school trustee, who shall hold his office for three years: Provided, that at the first election held under this provision there shall be three trustees elected, whose terms shall be one, two, and three years, respectively.<sup>10</sup>

The establishment of the free public school system in the south originated in an unfertile background. J.L.M. Curry, agent for the Peabody Education Fund, gave this description of the war-stricken south:

There were in the ex-Confederate states two million children and youth within the years of instruction. In the effort to organize and put in successful operation, a new and untried system of public schools adequate to the needs of the entire population, the southern states, were under a weight of debt beyond their ability in their impoverished condition to pay. To add the expense of free education to this crushing weight was in their financial condition a perplexing and almost impossible task. Free schooling was a new question introduced and to be administered by novices in this work. To organize the

---

<sup>10</sup> Constitution of Virginia, (1869), Article VIII.

freedom and equality of citizenship of a large class, lately the slaves of the white people, was not easy, because in conflict with the traditions, prejudices, social customs, and legal rights of a few years preceding. To impose voluntary, heavy burdens on the scant property which survived the demoralization of the war, so as to educate gratuitously their own children and the children of the late African slaves was a task of patriotism, of humanity, of civic duty which no people ever encountered.<sup>11</sup>

### The Peabody Fund

The Peabody Fund, an endowment fund, was a much-needed source of revenue for the free public schools. In 1866, George Peabody, then living in London, gave to education in the southern states the sum of \$3,500,000 in stocks and bonds.<sup>12</sup> Of this sum, \$1,500,000 of Mississippi and Florida state bonds was afterwards repudiated, leaving an available fund of \$2,000,000 for the cause of education. The Peabody Fund was set up to pay \$300 to a school of not less than one hundred pupils, \$450 for not less than one hundred fifty pupils, \$600 for not less than two hundred pupils, \$800 for not less than two hundred fifty pupils, and \$1,000 for not less than three hundred. Virginia received the total sum of \$233,000 from the Peabody Fund for the years 1870-1882.<sup>13</sup>

According to Heatwole, the sources of money for the support of schools were:

(a) interest on the Literary Fund; (b) capitation taxes; and (c) an annual tax upon the property of the state of not less than one mill, nor more than five mills on the dollar; each county or district was empowered to levy an additional tax not to exceed five mills on the dollar.<sup>14</sup> (Tax rates may be expressed in dollars, cents, or mills. A mill is one-tenth of a cent or one-thousandth of a dollar. A tax rate of 5 mills would be equal to 0.5 percent).<sup>15</sup> While this plan seemed to be ample support there were uncertain factors that composed it. The local communities voted as to the amount of county and district taxes to be levied and some voted not to levy a tax at all. Actually, in 1870, 72 out of the total of 97 counties in the Commonwealth voted a local tax for the support of public schools.<sup>16</sup>

---

<sup>11</sup> Buck, p. 68.

<sup>12</sup> Heatwole, p. 238.

<sup>13</sup> Ibid. p. 240.

<sup>14</sup> Ibid. p. 221.

<sup>15</sup> Alexander and Salmon, p. 98.

<sup>16</sup> Heatwole, p. 222.

## Contributions of Virginia State Superintendent William Ruffner, 1870-1882

Such was the stage for public education when the reverend William H. Ruffner was elected the State Superintendent of Public Instruction in 1870. He was the son of Henry Ruffner, one time president of Washington College, who twenty years before, had submitted a remarkable plan for the education of the white children of Virginia.<sup>17</sup> William exhibited the statesmanship, wisdom, and clear vision that was needed to place education in the prominent role of importance in the evolution of the new social order in Virginia. Within twenty-five days after his election, Ruffner submitted to the General Assembly his proposed plan for instituting a system of public schools in the state. The system was to be administered by a Virginia Board of Education, a State Superintendent of Public Instruction to be appointed by the General Assembly, county superintendents, and district school trustees.<sup>18</sup> Licensing of teachers was the function of the county superintendent and the curriculum provided for “orthography, reading, writing, arithmetic, grammar, and geography.”<sup>19</sup> The board of education was to provide gradually for the uniformity of textbooks.<sup>20</sup> Separate schools were to be maintained for Negroes, an issue which the section on education in the constitution had passed over in silence. The Superintendent’s bill was confined to inaugurating an elementary school system, though the age was extended to persons twenty-one years of age.<sup>21</sup>

Virginia’s governor during the inauguration of the new public school initiative was Gilbert Walker. He did not openly oppose public education but through his statements in his address to the legislature in 1871 it is evident that the public debt was foremost on his mind as the most critical concern that Virginians must face:

The success of the school system, inaugurated under the laws passed by the last legislature, has surprised its warmest advocates. When a people oppressed with debt just beginning to recover from the devastations of a war which deprived some of all, and all of a portion of their property, rally to the support of a free school system as our people have, no fear need be entertained for the success of the cause of free education ... In my opinion, there is but one sovereign remedy for the evil which afflicts us, and that remedy is a strict fulfillment of our solemn obligations to rid ourselves of this public debt.<sup>22</sup>

---

<sup>17</sup> Heatwole, p. 219.

<sup>18</sup> Bell, p. 400.

<sup>19</sup> Ibid.

<sup>20</sup> Ibid., p. 401.

<sup>21</sup> Ibid.

<sup>22</sup> Senate *Journal*, 1870-71, p. 12 and p. 21.

Governor Walker was referring to the public debt making it apparent that the restoration of Virginia's good credit status took precedent over other issues.

The problem of funding the new school system plagued Ruffner throughout his tenure as Superintendent of Public Instruction. The Literary Fund was placed in control of the State Board of Education by the Act of July 11, 1870. During the next several years it was not a reliable source of income for schools because of poor management and successful attempts to channel its revenue elsewhere. Heatwole noted there had also been losses prior to the Civil War and between 1810-1871 the sum of \$440,837 had been lost to bad investments.<sup>23</sup>

Revenue established through the constitutional provision of 1870 was diverted from the school funds in an effort to fund and pay interest on the state's post-Civil War debt, reported by Bell to be \$45,000,000 in 1870.<sup>24</sup> The legal basis to do this came from an act known as the Funding Bill, which passed the General Assembly on March 30, 1871. Knight recorded that due to the passage of this bill that holders of the state bonds could exchange them for new bonds whose coupons were to be "receivable for all taxes due, debts and demands due the state."<sup>25</sup> Knight further explains that this affected school funds because: "By the constitution and the law of the state a certain amount of revenue at a fixed rate was to be raised and applied to education; but by subsequent legislation such revenue could, to the extent of the coupons issuable, be paid in tax receivable coupons."<sup>26</sup> Thus taxes due the state were paid with coupons which resulted in money being diverted from school purposes.

Ruffner called attention to the matter of reduced school funding periodically through the 1870s. Heatwole notes that during the first year of the public school system, 1870, that \$450,000 was expended in the support of schools.<sup>27</sup> A report from Ruffner in 1873 showed that in 1871 the revenue had dropped to \$385,428, and for the year 1872 the amount was \$184,672. Included in these amounts was a payment of \$31,000 from the Literary Fund for 1871 but there was no payment received during 1872.<sup>28</sup>

---

<sup>23</sup> Heatwole, p. 108.

<sup>24</sup> Bell, p. 432.

<sup>25</sup> Edgar. W. Knight, *A Documentary History of Education in the South Before 1860*, Vol. 5 (Chapel Hill N. C. : University of North Carolina, 1953), pp. 51-52.

<sup>26</sup> *Ibid.* p. 51.

<sup>27</sup> Heatwole, p. 222.

<sup>28</sup> *Senate Journal*, 1872-1873, Document XVIII, pp. 1-2.



Superintendent Ruffner called upon the auditor for information about the revenue losses but the auditor's balances showed confusion and a lack of judgment in disbursing the funds of the state.<sup>29</sup> Ruffner's concern for the lack of funding for the public schools was evident in his statement in the *Virginia School Report of 1875-1876*:

Last winter, as is generally known, the fact was brought to light that every year a considerable part of the state funds belonging to the public schools had been used for the general purposes of the government; and that the deficiencies had by that time amounted to something like \$400,000. Although no well informed person supposes that anyone committed intentional wrong in the matter, yet, the people were deprived to that extent of the means of education, and the effect on the public mind was painful. The matter is mentioned here with the hope that something may be done to replace the misapplied funds, and to render impossible the continuance or the future recurrences of such diversion of such funds sacredly devoted to education by the constitution and the laws of the state.<sup>30</sup>

In calling for the auditor to release the information about the misapplied funds, Ruffner further stated in his 1876-1877 report:

The annual and increasing diversion of school funds is so plain a violation of the constitution and the law of the State, and so destructive of the school system, that I deem it my duty to ask the serious attention of the legislature to it.<sup>31</sup>

Later in the same address Ruffner states his opinion that the proceeds from the capitation tax and the property tax were more important to the school funds than the bonds owed to the Literary Fund:

I could not regard the failure to pay full interest on these bonds as so serious a matter as the failure to pay over the proceeds of the capitation and property tax.<sup>32</sup>

It was obvious that the Literary Fund had become a much lesser means of support for the free public schools. The revenue collected from it had remained much the same as it had before the war when it was a source for indigent children. With the expansion of free school service, more profitable sources such as taxes would be the answer for funding.

In 1877 the facts regarding the diversion of funds were made public and there was found to be a deficit owing to the school funds of \$550,000.<sup>33</sup> William Taylor, State Auditor of Public

---

<sup>29</sup> Heatwole, p.223.

<sup>30</sup> *Virginia School Report*, 1875-1876, p. 10.

<sup>31</sup> *Virginia School Report*, 1876-1877, p. 10.

<sup>32</sup> *Ibid.* p. 12.

<sup>33</sup> Heatwole, p. 223.

Accounts, gave as his explanation that he had the right of deciding “what amounts, in his opinion, the treasury could bear.”<sup>34</sup> The claim of the schools, in his opinion, did not rise to the dignity of some other governmental claims out of appropriations made by law.<sup>35</sup> He found that the state income was unequal to the task of meeting the obligations of both the public debt and the usual public services and despite the constitutional clause to the contrary he began to use money earmarked for education to help meet other obligations.<sup>36</sup>

In 1879, according to Superintendent Ruffner, the total amount the state was in arrears to the public school funds was \$1,113,052.56.<sup>37</sup> Conditions were such that enrollment dropped from 140,472 to 72,306 for whites, and from 61,772 to 35,768 for Negroes.<sup>38</sup> Also the number of schools in operation dropped from 4,545 in 1878 to 2,491 in 1879. As far as Ruffner could determine, the diversion of funds and enforced reduction in availability of public education had created a reaction favorable to public schools, the people refusing to yield their patronage to private schools, which were started, or to pay a small tuition fee in public schools. Ruffner further stated that the falling off in schools was

...owing to the fact that debts had previously been allowed to accumulate in some counties to such an amount that the local boards determined to open no schools and to use the income for paying debts and, if practicable, accumulating some head for the next year...<sup>39</sup>

It is unusual to observe that the governor did not support the interests of the schools during this period. In December, 1877, Governor Kemper delivered this message to the legislature illustrating his position on the funding of the schools and the diversion of the school funds:

The supreme object and requirement of the constitution is that the government shall be maintained for holding society together and preserving the existence of the state. Another and important but subsidiary requirement is that the public schools shall be maintained. If the existence of the government cease for want of the means supporting it, then the schools system as well as all other public interests must go down in the general catastrophe; for the maintenance of the schools depends upon the prior maintenance of the government. . . . Out of this general fund, the statutes require specific sums to be paid for the support of the schools, and in terms equally mandatory they require other specific sums to be paid for the support of the courts, the departments, and the public institutions.

---

<sup>34</sup> Ibid. p. 224.

<sup>35</sup> Ibid.

<sup>36</sup> Buck, p. 79.

<sup>37</sup> Heatwole, p. 224.

<sup>38</sup> *Virginia School Report*, 1879, p. 4.

<sup>39</sup> Ibid.

In this instance it happened for a brief period, that there was not money enough in the treasury for paying in full the several sums thus appropriated by different provisions of law, all equally mandatory in their terms. To make all the payments required by law was plainly impossible; and thereupon the auditor drew his warrants upon the treasury for so much money as was barely and absolutely indispensable for keeping up the existence of the government, and all that was left be turned over to the school fund. . . . In an issue of life and death between the state and the school system is it to be said that the state must perish and the schools survive? Does the bond of the constitution so nominate and exalt any one of the departments over all others, that it may, whenever the letter of the bond is forfeit, cut its pound of flesh from the body of the state, nearest its heart, even at the sacrifice of the life of the state? The school system is the creation of organic law. The constitutional obligation to maintain it is not questioned. In all my official relations to that system, I have endeavored to support it fairly, efficiently and in the spirit of its founders. But if it is to override all other interests, however momentous or sacred; if the claims of the school department upon the funds in the general treasury constitute a lien paramount to every other; if the existence of the government, in an emergency, is to be dependent upon the leniency of that department; then the sooner it is shorn of its dangerous supremacy the better.<sup>40</sup>

The fact that the governor and Ruffner were in opposite corners in relation to the school funds make the achievement of Ruffner in winning this struggle even more remarkable. It also illustrates the advantage of having the office of State Superintendent independent of those over which the governor has direct control.

A partial settlement to the debate came from the legislature in 1878 by the passage of House Bill 361. This law acknowledged a debt of \$382,732.26 due the schools. It required the auditor to return the arrearages due the school in \$15,000 payments every quarter until the debt was paid in full.<sup>41</sup>

The legislature passed other laws to protect the school funds in the following years. In 1879 the Henkell Bill passed and it required the auditor to calculate the total revenue applicable to public schools and to report his estimate to the State Superintendent. Local tax collectors were to deposit three-fourths of their area's estimated amount of state school aid in cash to a special fund. This would guarantee the schools at least that amount in cash in case the treasury lacked the funds to deposit to the credit of the Literary Fund.<sup>42</sup>

---

<sup>40</sup> Senate *Journal*, 1877-1878, pp. 28-29.

<sup>41</sup> House *Journal*, 1877-1878, pp. 523-524.

<sup>42</sup> House *Journal*, 1879-1880, p. 60.

Bell reported, however, that the funding situation affecting the school was not cleared up until the passing in 1882 of the Riddleburger Bill and the Granstaff Act.<sup>43</sup> The Riddleburger Bill placed the Literary Fund in the most favored class of creditors. It also reduced Virginia's interest payments on its portion of the post Civil War public debt from six percent to three percent, lowering payments and thus allowing more money to be spent on programs such as education.<sup>44</sup>

The Granstaff Act protected the local estimated quota of the state's appropriation for school purposes as had the Henkel Act of 1878. However, it required that 90 percent of all funds applicable for free public school purposes should be reported for distribution instead of the three-fourths that the Henkel Bill had mandated. Also the State Auditor of Public Accounts was ordered to increase the quarterly payment due the school fund to \$25,000 instead of the previous stipulation of \$15,000.<sup>45</sup>

That same year the legislature passed an act appropriating the proceeds of the sale of the Atlantic, Mississippi and Ohio Railroad Company to the arrearages due the school fund, thus paying the schools four hundred thousand dollars.<sup>46</sup> Knight reported that in March 1884, the State Auditor of Public Accounts furnished a statement of the amount due the schools and indicated that the arrearage would soon be settled in full.<sup>47</sup>

Ruffner successfully completed his term as State Superintendent by directing the new public school system through a tumultuous era. Through his efforts legislation was passed to set funding for schools on solid ground. In 1880 he reported that the past year had been the *best in all respects*, a larger sum of money had been turned over to the schools than any previous year. The number of schools had almost been doubled. Two hundred new buildings had been erected and nearly \$100,000 added to the value of school property. The total expenditure for public education that year reached the sum of \$946,109.33. Ruffner and his officials successfully cleared away the prejudice and other opposing factors, so that the effectiveness of the school system could be demonstrated.<sup>48</sup> In praising Ruffner's leadership, Heatwole identified the difficulties that had to be overcome for the successful operation of the public school system:

- (1) Prejudice against the public school system;
- (2) Feeling of poverty among the people;

---

<sup>43</sup> Bell, p. 434.

<sup>44</sup> *Acts of Virginia Assembly*, 1881-1882, pp. 88-90.

<sup>45</sup> *Ibid.*, pp. 262-264.

<sup>46</sup> *Ibid.*, pp.473-474.

<sup>47</sup> Knight, *A Documentary History of Education in the South Before 1860*, Vol. 5, p. 33.

<sup>48</sup> Heatwole, p. 228.

- (3) Aversion to the education of the Negro;
- (4) Lack of suitable schoolhouses and appliances;
- (5) Teachers lack of professional training;
- (6) Financial annoyances;
- (7) Trouble concerning the state debt; and
- (8) The impossibility of supplying schools for all the neighborhoods clamoring for them.<sup>49</sup>

#### Leadership of Virginia State Superintendents, 1882-1900

The remaining years of the nineteenth century produced growth in the public school system due to the support of strong leadership from subsequent state superintendents. R.R. Farr succeeded Ruffner in 1882 and held the position for four years. During his last address to the General Assembly in 1885 he reported:

The schools have improved in every detail; that the system is stronger than ever before and that it now commands the respect of all classes of people in the state.<sup>50</sup>

John Buchanan held the office of state superintendent from 1886-1890. Heatwole noted that during this period there was no evidence of any widespread hostility to the public schools except the feeling against the education of the Negro race.<sup>51</sup> Buchanan used his annual addresses to praise the efforts of the assemblymen but also requested more revenue for the schools. In his 1888 address he stated:

Hence lack of funds largely (not wholly) explains the inefficiency of the school system wherever such inefficiency exists. Often objections urged against the school system itself are objections which should be urged against the inadequacy of the means provided for its support. It goes without saying that the essential need of the system is more money. Twice the amount now expended could be most profitably used.<sup>52</sup>

Again in 1890, the concern for more funding for the schools was a topic in his address:

The state makes liberal provisions for the support of the public free school system. The system, however, has been steadily growing and expanding from year to year since its organization. The funds derived from the regular sources of revenue fixed by law have, it is true, increased year to year but the natural growth of the system has fully absorbed the increase. It is obvious, therefore, that to increase the efficiency of our present system and to meet the demands of a well-organized progressive system of schools, more money is needed.<sup>53</sup>

---

<sup>49</sup> Ibid., pp. 234-235.

<sup>50</sup> *Virginia School Report*, 1885, p. 2.

<sup>51</sup> Heatwole, p. 251.

<sup>52</sup> *Virginia School Report*, 1888, p. 21.

<sup>53</sup> Ibid., 1890, p. 165.

John Massey was appointed superintendent in 1890 and served until 1898. He had taken an active part in public debates centering on the payment of the state debt and had won a wide reputation for his well-known attitude toward the public school system. Heatwole notes: "Mr. Massey brought to the public school system of the state the power of a strong advocate and a discriminating judgment in matters relating to the educational needs of the state."<sup>54</sup> One of the major concerns that he sought to improve during his tenure was that of the quality of teaching. However, he too used his forum to voice the need to increase revenue for education. In his annual report of 1894-1895 he stated:

No system of schools however well administered, can accomplish the best results without adequate revenue. As a school system is a thing of growth, its revenue must grow. My predecessor, several years ago declared that the school system had reached its maximum degree of usefulness; that it was doing all that could be reasonably expected with the revenue applied to its support; it is hardly necessary that I should reaffirm that declaration. The records every year show that the system is growing and expanding without corresponding increase in revenue.<sup>55</sup>

Superintendent Massey spoke specifically about the Literary Fund in his final report in 1898-1899

...The income will in a few years pay the income of the county and city Superintendents and the running expenses of the central office, leaving the whole amount of school money raised by taxation to pay the teachers.<sup>56</sup>

There was no mention of other costs incurred such as school facilities or textbooks which only added to the need for more revenue. The following tables illustrate the growth that occurred in public education during its first thirty years.

---

<sup>54</sup> Heatwole, p. 253.

<sup>55</sup> *Virginia School Report*, 1894-1895, p. XXII.

<sup>56</sup> *Ibid.*, 1898-1899, pp. XLII-XLIII.

TABLE 2. -- Growth Of Virginia's Public School System, 1871 – 1900

YEAR	PUPILS (5-21 Yrs.)	ENROL.	DAILY ATTEND.	PERCENT OF ATTEND.	MONTHLY ENROL.	TEACHERS
1871	441,021	131,088	75,722	57.7	4.66	3014
1875	482,789	184,486	103,927	56.3	5.59	4262
1880	555,807	220,736	128,604	58.1	5.64	4873
1885	610,271	303,343	176,469	58.1	5.92	6693
1890	652,045	342,269	198,290	57.9	5.91	7523
1895	665,533	355,986	202,530	56.8	5.95	8292
1900	691,312	370,595	216,464	58.4	6.00	8954

Source: *Virginia School Report*, (1871), p. 21; (1875), p.12; (1880), p. 28; (1885), p. 13; (1890), p. 6; (1895), p. XVIII; (1900), p. 106.

TABLE 3. -- Growth And Expenditures Of Virginia's Public School System, 1871-1900

YEAR	STATE FUND	COUNTY AND DISTRICT	MONTHLY SALARY OF TEACHERS		VALUE OF SCHOOL PROPERTY
			MALES	FEMALES	
1871	362,100	330,332	\$32.36	\$26.33	\$189,680.00
1875	488,490	473,977	33.62	28.71	757,181.00
1880	596,629	490,089	29.20	27.65	1,177,544.00
1885	844,475	606,421	31.00	26.88	1,819,256.00
1890	851,467	705,429	31.69	26.61	2,235,085.00
1895	974,351	805,625	32.82	26.95	2,982,828.00
1900	1,015,538	926,993	32.47	26.18	3,536,293.00

Source: Heatwole, p. 245.

John W. Southall succeeded John Massey as State Superintendent of schools in 1898 and served until 1906. His following statement in 1899 reviews the progress of the public schools and serves as an explanation of the preceding tables:

To show the (positive) hold that the public schools of Virginia have on the people, it is only necessary to mention the fact that of the two millions of dollars expended annually for common school education in the state, nearly one half is raised by local taxation. Since 1871, our school population has increased more than two-fold; our schools nearly three-fold; we now spend nearly four times as much money as we then spent for public education, and the value of school property owned by districts is more than sixteen times as great as it was at the close of the first year of the existence of the system.<sup>57</sup>

There was no other legislation passed specific to the Literary Fund from 1882 through the end of the nineteenth century. The strong leadership of the State Superintendents had successfully helped establish the public school system in the first thirty years of its existence. Revenue from taxes became more important to its growth and the Literary Fund became supplementary as a funding source. As the new century began, a new constitution addressed education issues and set the stage for additional growth. The ground work had been established for a free public school system available to all, but problems would persist in relation to funding and equal access by all. The twentieth century represented a reactionary period to social issues which in turn would require many changes in the educational philosophy of the United States.

### Summary

The birth of the public school system in Virginia occurred in the post Civil War period when legislative measures were passed to help assure its effectiveness. The Underwood Constitution of 1869 created a mandate for the governing officials of Virginia to establish a system of education that would serve all children. This was an immense task given the social, political, and economic conditions that existed in Virginia after the war. Education seemed relatively unimportant to an impoverished populace who was valiantly attempting to provide the bare necessities of life for their families. Factors such as the newly emancipated Negro population and the carpetbag policy makers only added to the resentment of the citizens of the conquered state.

---

<sup>57</sup> *Virginia School Report*, 1898-1899, p. lvii.



Virginia's economic hardships were created due to the destruction of its property and the burden of a \$45,000,000 state debt. During the early years of reconstruction revenue was diverted from school funds to help pay for this debt and for other public interests. It was fortunate for education supporters that strong leaders such as William Ruffner held the position of State Superintendent of Public Instruction and was able to eventually wrestle from the state the portion of the revenues that education was promised. This was a monumental task because the state auditor of public accounts and the governors of this period did not hold education as such a high priority.

Prior to the Civil War The Literary Fund had been the primary source of revenue for free public schools. It provided funding for indigent children, but policy makers recognized that it would not prove to be adequate for funding universal public education. Capitation taxes and property taxes were targeted by the legislature in 1870 to provide for additional education funding. The expansion of school services in the form of increased enrollment, the need for additional facilities, and the increased need for more teachers made more revenue sources an absolute necessity.

The nineteenth century ended with a positive outlook for the future of public education. Many gains had been made toward more adequate funding and the general consensus of the populace had softened toward taxation support of schools. According to Heatwole, Superintendent Ruffner and friends of education in the Commonwealth had turned the attention of the people to the importance of education and to the establishment of an appropriate structure to carry the system forward. In the post Civil War environment this was no small task. Only the most consummate energy, wisdom, and diplomacy could successfully design and implement an effective system of universal education for the Commonwealth.<sup>58</sup>

---

<sup>58</sup> Heatwole, p. 242.

## Chapter 5

### THE REACTIONARY PERIOD OF FREE PUBLIC EDUCATION 1901-1960

Near the beginning of the twentieth century a renewed interest in public education developed throughout the nation because of regional meetings that were held to discuss its plight. The first of such meetings was held in Capon Springs, West Virginia, in 1898, and subsequent meetings occurred in 1901 and 1902. According to Buck, the initial purpose was to cultivate more favorable sentiment in the South toward better educational facilities for the underprivileged groups, both Negro and White. As the meetings progressed, however, the broader idea of an improved system of public education developed. The chosen topics dealt with taxation, consolidation and transportation, industrial training for Negro schools, preparation and selection of teachers, Negro education, compulsory education laws, and supervision in rural schools.<sup>1</sup> The years of apathy resulting from reconstruction seemed to be giving way to a new healthy and lively interest in education and government.

#### Constitution of 1902

The constitution of 1902 was the result of this new feeling of progressivism among Virginians. Among the most important educational provisions were: free textbooks for children of poor parents; compulsory education benefits for children age 12-18; annual property tax for state school funds of not less than one or more than five mills on the dollar; appointment of a superintendent for each school division; and appropriations of all school funds on the basis of school population, including all persons between the ages of seven and twenty.<sup>2</sup>

Education advocates such as Elwood P. Cubberley helped create the interest that was essential to increase funding for schools. Concurrently, the leadership in Virginia to improve schools came from both the governors and state superintendents of the period. Joseph Southall became state superintendent in 1898 and used the new constitution to continuously urge for more local involvement in public school funding. In the Virginia School Report of 1901-1903, he stated:

---

<sup>1</sup> Buck, pp.121, 122.

<sup>2</sup> Heatwole, p. 311.

Never before has there been such a general interest manifested in the improvement of public schools....The things that lie nearest their doors and make most for the happiness and prosperity of their homes, the improvement of the public highways and the public schools... are attracting more attention....The sentiment in favor of improving the educational facilities of the Commonwealth is a healthy and auspicious omen.<sup>3</sup>

Southall followed his plea for increased local expenditures with a request to the General Assembly to increase the annual supplement it appropriated to the interest of the Literary Fund.

Such a policy would greatly aid in the continued growth and healthy development of our common school system as it would stimulate local authorities to exert themselves for a gradual increase in the local school funds and the improvement of their own schools.<sup>4</sup>

However the responsibility of public school finance remained primarily a local responsibility during the early years of the new century.

#### The Williams Building Act

The most important piece of legislation involving the Literary Fund was passed by the General Assembly in 1906. This was known as the Williams Building Act and it would forever change the Literary Fund. The leadership to pass this act came from Joseph Eggleston, the first State Superintendent of Public Instruction elected by the people. His administration of nearly eight years stands out as an era of educational progress remarkable, if not phenomenal, in the line of democratizing education in Virginia.<sup>5</sup>

Eggleston was aided in the development of the legislation by Charles Maphis, a member of the State Board of Examiners and Instructors. Eggleston proposed that Virginia set aside two hundred thousand dollars for long-term low interest loans for the construction of school buildings. Maphis suggested the substitution of Literary Fund money rather than relying on the treasury. Eggleston agreed because the revenue resources available through the Literary Fund were much more plentiful.<sup>6</sup>

Maphis corresponded with Eggleston in a letter of January 11, 1906 in which he communicated his ideas:

---

<sup>3</sup> *Virginia School Report*, 1901-1903, p.XLIX.

<sup>4</sup> *Ibid*, 1903-1905, p. XXXII.

<sup>5</sup> Heatwole, p. 321.

<sup>6</sup> J.D. Eggleston, "History of the Williams Building Act," *The Virginia Journal of Education*, March 1, 1917, p. 311.

Now it occurred to me, and I have no doubt you have thought of it too, that in so much as our Literary Fund has to be invested where it will produce income, it might just as well be lent to the counties of the State at the rate of interest it is now producing, and this be made to serve the schools in a double capacity. The safety of the Fund would not be impaired, no new fund or appropriation would be made, but the schools would be permitted to make a double use of the funds which already belong to them.

Without some help of this sort it will be a long time until the school districts can raise enough funds to build suitable houses.<sup>7</sup>

In less than a week, January 17, 1906, Eggleston responded:

I believe that the suggestion in your letter of January 11 is the proper solution of the 'School Building Fund' matter. Strange to say, I had not thought of that solution of the question. I believe that by skillful management we can get a satisfactory bill through the General Assembly. I have mentioned the matter to a number of Senators and members of the House, and every one has heartily endorsed the scheme. There will, of course, be objection. I hope to draw the bill within the next two or three days and have it introduced. If the General Assembly passes the bill, the State will be under deep obligations to you for your suggestion of a solution which made its passage possible.<sup>8</sup>

On March 15, 1906, the *Williams Building Act* was passed by the General Assembly.

This legislation allowed localities to borrow money from the Literary Fund of Virginia for school construction upon written request from the locality. The request had to include the amount of the loan, building plans, and advisability of building the school.<sup>9</sup>

Stipulations placed on the Literary loans included: The loan could not exceed three thousand dollars or 50 percent of the building cost; no loan would be sanctioned for construction costing two hundred fifty dollars or less; and all authorized loans would be discharged at a rate of four percent interest with payment due within ten years to the State Treasurer through the Second Auditor.<sup>10</sup>

Payment of the loans would be insured by a tax levied by the local boards of supervisors. It became the responsibility of the boards to provide repayment of the loan on written notice.<sup>11</sup>

Governor Swanson and State Superintendent Eggleston issued statements in 1906 to illustrate their pleasure with the passage of the *Williams Building Act*. In the *Virginia School Report*, Eggleston stated: "... it has proven of inestimable benefit."<sup>12</sup> In Governor Swanson's

---

<sup>7</sup> Ibid. p. 313.

<sup>8</sup> Ibid.

<sup>9</sup> *Acts of Virginia Assembly*, 1906, p. 446.

<sup>10</sup> Ibid.

<sup>11</sup> Ibid.

<sup>12</sup> *Virginia School Report*, 1905-1907, p. 24.

address to the legislature in 1908 he remarked: “The act of permitting the loaning out of the Literary Fund to construct school houses, has been productive of immeasurable good.”<sup>13</sup>

Governor Swanson illustrated his desire to see the fund expand its loaning potential in another address to the General Assembly in 1908.

I recommend that an act be passed authorizing the disposal of a limited amount of the percent bonds held, and the investment of the same in loans for the construction of school houses, for larger amounts and longer time than at present permitted, and at rates of interest yielding as much as is at present received. No investment can be safer than these loans under the conditions now prescribed, and a wise policy demands that these funds should be thus utilized. If this policy had been pursued years ago every section of Virginia would now be blessed with fine commodious schoolhouses.<sup>14</sup>

As a result of the governor’s statement another act passed the legislature in 1908 that amended the *William’s Building Act*. Passage of this act increased the maximum amount loaned from three thousand dollars to ten thousand dollars. Money borrowed in excess of three thousand dollars would carry a five percent interest rate while three thousand dollars or less would remain at the four percent rate.<sup>15</sup>

During the years 1908-1913 an excess of three hundred thousand dollars was loaned to school divisions for school construction and additions and the interest paid to the Literary Fund continued to rise as its revenue became even more reliable.<sup>16</sup> An auditing committee report in 1910 listed the expenses of the Literary Fund as loans on schools, support of high schools, salaries of superintendents and state board of examiners, and summer schools.<sup>17</sup>

In subsequent years legislators continued to support school construction by making it easier for localities to acquire loans through the Literary Fund. In 1914 the General Assembly reduced the interest rate charged for loans from four percent, for loans of three thousand dollars or less, to three percent. Loans of more than three thousand dollars were then charged the four percent rate.<sup>18</sup> During the 1916 session the amount that could be loaned to localities was increased from ten thousand dollars to fifteen thousand dollars. Additionally, localities were permitted to borrow two-thirds of the cost of a building instead of the original one-half.<sup>19</sup>

---

<sup>13</sup> Senate *Journal*, January 8, 1908, p. 21.

<sup>14</sup> *Ibid.*, p. 19.

<sup>15</sup> *Acts of Virginia Assembly*, 1908, p. 106-107.

<sup>16</sup> House *Journal*, 1914, p. 4.

<sup>17</sup> *Ibid.* 1910, Document no. 3, p. 13.

<sup>18</sup> *Acts of Virginia Assembly*, 1914, p. 75-76.

<sup>19</sup> *Ibid.*, 1916, p. 204.

There were few legislative changes to the Literary Fund from 1916-1930, however, the fund continued to provide localities low interest loans for both new and constructional renovations.

### The Impact of the Great Depression on Public School Funding

Beginning with the decade of the 1930s the Great Depression of 1929 had profound effects on school financing on a wide scale. In 1930, based on national statistics, about 82 percent of school revenue came from local sources, which was obtained nearly exclusively from property taxes. During the depression, property taxes became increasingly onerous as thousands of people lost their homes, farms, and businesses. The extraordinary difficulty faced by many persons of having to pay property taxes with little or no income became a hotly debated political issue. The ground swell of opposition to property taxes during the depression provided an opportunity for the advocates of increased state aid for public schools to advance their arguments.<sup>20</sup> Furthermore, in Virginia, public school enrollment had increased from 507,705 pupils in 1920, to 590,532 in 1935. Consequently, the need for services to support this increase in enrollment further imposed hardships on taxpayers.<sup>21</sup>

The Literary Fund was affected in 1930 when a circuit court ruled that literary loans could not occur without local voter approval. Given the economic situation of this era, it is easily understood that citizens likely would be reluctant to support school construction. Also, some citizens saw new school construction as a consolidation issue and feared the loss of their local community schools.<sup>22</sup> Nevertheless, State Superintendent Harris Hart addressed the consolidation issue when he said, "In spite of this handicap reasonable progress had been made."<sup>23</sup>

Revenue was diverted from the Literary Fund in the early 1930s for the administration of the Layman Act. Legal authorities claimed that a certain part of this act, the basis of Virginia's prohibition law, was unconstitutional. According to the constitution, all fines and forfeitures are to be applied to the revenue of the Literary Fund. However, from 1923-1933, approximately

---

<sup>20</sup> Roe L. Johns et al., *Financing Education, Fiscal and Legal Alternatives* (Columbus, Ohio: Charles E. Merrill Publishing Co., 1972), p. 25.

<sup>21</sup> *Annual Report of the Superintendent of Public Instruction, 1934-1935*, p. 185.

<sup>22</sup> *Virginia School Report, 1927-1930*, p. 16.

<sup>23</sup> *Ibid.*

\$3,000,000 of fines and forfeitures was used for the expense of prohibition control. This revenue was never restored to the Literary Fund but the transfer of funds ceased in 1934.<sup>24</sup> This occurrence illustrated the absence of an interest in public schools exhibited by then Governor John Pollard. In contrast, his successor, George Perry, proved to be an able governor and a supporter of public schools. At the beginning of his term Perry stated, “We may in time of economic distress discontinue or postpone some governmental activities, but we cannot justly postpone the matter of educating our children ... I pledge my hearty support to the cause of education.”<sup>25</sup>

Despite the poor economic conditions brought on by the Great Depression, the 1930s saw substantial progress made regarding school construction. Much of the progress can be attributed to the federal programs that were initiated to aid the country in the recovery from the depression. Under the leadership of President Franklin Delano Roosevelt, a vast program of public works and civic improvement was begun through federal acts such as the Public Works Administration (PWA) and the Works Progress Administration (WPA).<sup>26</sup> There are many schools throughout the United States still in use which were constructed and financed by the federal government during this era.

The basis on which the federal aid was granted for school construction, when it first came available in 1934, represented 30 percent of the total cost for capital facilities. The proportion steadily climbed and reached its greatest height in 1938 when the federal government contributed 45 percent of the total cost for school construction. This infusion of federal aid made it relatively easy to persuade school boards to undertake the construction of the much-needed new buildings.<sup>27</sup>

Between 1930-1931 and 1940-1941 a total of \$17,452,850 was spent on sites and buildings in Virginia. This represented an increase of 28 percent in value of school property. This increase took place largely due to the federal programs.<sup>28</sup>

The Literary Fund was also being utilized during this period as the principal of the fund was reported in 1931-32 as \$6,288,821.93 and in 1939-40 as \$8,275,925. Of this latter amount,

---

<sup>24</sup> *The Virginia Journal of Education*, “Literary Fund has lost \$3,000,000,” May, 1933, vol.XXXVI, no. 9, p. 347.

<sup>25</sup> *House Journal*, 1934, p. 300.

<sup>26</sup> Buck, p. 348.

<sup>27</sup> *Ibid.*, p. 349

<sup>28</sup> *Ibid.*

\$7,921,703 was reported as *loans to school boards*. It is apparent that Virginia had a large revolving fund available for building operations.<sup>29</sup>

An act passed in 1936 made it easier for localities to borrow larger sums of money from the Literary Fund. Through this act the State Board of Education increased the amount of the loan from two-thirds of the building cost to an amount deemed wise by that board. Also, in some instances the locality could borrow up to fifty thousand dollars.<sup>30</sup> The State Superintendent Report of 1938-39 stated,

The program of school buildings for the past year has greatly exceeded in volume and in cost that of any one year in the history of school building development in Virginia. This is largely accounted for by the unusual and very generous distribution of grants from the Public Works Administration to the school building program.<sup>31</sup>

The General Assembly passed legislation in 1938 to further aid localities to use Literary Fund revenue for school building construction. Localities could now borrow up to one hundred thousand dollars or three quarters of the cost of the building. Loans could not be made for construction costing five hundred dollars or less. A larger benefit for localities, however, was that this act allowed them to use a Literary loan to retire previous loans that carried a higher interest rate.<sup>32</sup>

The State Board of Education may, in its discretion, make such loan, but no such loan shall exceed three-fourths of the cost of the schoolhouse, addition thereto, and site, on account of which such loan is made, nor shall it exceed one hundred thousand dollars. No loan shall be made to aid in the erection of a building or addition to cost less than five hundred dollars. Whenever such loan is made for the purpose of enlarging a schoolhouse, any part of the proceeds of such loan may, in the discretion of the State board, be used to retire any previous loan, or loans, on such schoolhouse ...<sup>33</sup>

## The Effects of World War II

The beginning of World War II and its aftermath greatly inhibited the use of Literary Fund revenue for school construction in Virginia. The attention throughout the United States was drawn to preparation for war, which was already underway in Europe and the Far East. In 1941 the wheels of industry began to turn furiously as the United States was directing its energy

---

<sup>29</sup> *Ibid.*, p. 350.

<sup>30</sup> *Acts of Virginia Assembly*, 1936, p. 595.

<sup>31</sup> *Annual Report of the Superintendent of Public Instruction*, 1938-39, p. 125.

<sup>32</sup> *Acts of Virginia Assembly*, 1938, p. 174.

<sup>33</sup> *Ibid.*



toward manufacturing armaments and supplies for our fighting forces. The industrial centers drew men and women from the farms, villages, and schools throughout the country but there was still a shortage of sufficient labor. As a result of this shortage of labor, as well as materials, there were few school buildings erected during this period.<sup>34</sup> During 1941 State Superintendent Sidney B. Hall said,

The heavy demand for materials and skilled labor in communities with the Defense Program has practically limited school building construction to new buildings that are essential, with little activity or construction that can be postponed. The division has actively discouraged school building construction that can wait without serious results to the educational program until materials and skilled labor can be released from defense construction.<sup>35</sup>

Preparation for the upcoming war also brought an end to the grants from the PWA that had aided school construction during the 1930s. This source of revenue, coupled with Literary Fund disbursements, had improved school facilities significantly but also depleted Literary Fund revenues. In 1940, Superintendent Hall indicated,

The program of school buildings has declined greatly during the past few years due to the fact that Public Works Administration grants were not available for school buildings. For the past year the actual capital outlay for school buildings, additions, and alterations has been slightly below that for a normal year. In addition to the fact that Federal grants under P.W.A. were not available, loans from the Literary Fund have been seriously curtailed because the Literary Fund was drawn on so heavily during the P.W.A. program that it became depleted. The State Board of Education decided that with the exception of a relatively few emergency cases, no additional loans could be made until repayments replenished the Literary Fund. The temporary depletion of money in the Fund has seriously crippled the building program for many of the school divisions.<sup>36</sup>

The 1940-41 report showed cash on hand belonging to the Literary Fund as \$272,089.01.<sup>37</sup>

An amendment to Article IX, Section 134 of the Constitution of Virginia ratified on November 7, 1944, affected the revenue of the Literary Fund. It stated:

When and so long as the principal of the Literary Fund amounts to as much as \$10 million, the General Assembly may set aside all or any part of the monies thereafter received into the principal of said fund for public school purposes including the teachers

---

<sup>34</sup> Buck, p. 383-384.

<sup>35</sup> *Virginia School Report*, 1940-1941, p. 14

<sup>36</sup> *Ibid*, p. 147.

<sup>37</sup> *Ibid*. p. 158.

retirement fund to be held and administered in such manner as may be provided by general law.<sup>38</sup>

Few laws were passed relative to the Literary Fund in the remaining years of this decade. One measure passed by the General Assembly in 1947 lowered the rate on literary loans from three percent to two percent. This act also stated that if all the lendable money in the Literary Fund was utilized, the State Board of Education could acquire additional money by selling bonds of a needy locality for investment in the Virginia Retirement System (then entitled the Virginia Supplemental Retirement System, VSRS). The rate of interest on these bonds was set at the lowest possible rate between two and four percent.<sup>39</sup>

### John Battle Funds

In 1950 John Battle was elected Governor of Virginia and immediately pledged to increase funding for education. Under his leadership the General Assembly appropriated \$78,000,000 for the operation of schools during the biennium 1950-52, an increase of 11%, and \$45,000,000 for unconditional grants to the localities for school buildings.<sup>40</sup> These *John Battle Funds* were to “assist the counties and cities in the construction of needed school buildings and to meet the emergency existing because of the inadequacy of public school facilities.”<sup>41</sup> In 1952, the General Assembly increased the appropriated sum for capital construction by an additional 30 million dollars on the same unconditional basis as the 45 million.<sup>42</sup> The General Assembly also authorized a transfer of \$11,000,000 from the sinking fund, established to retire debt, to the Literary Fund so that additional loans could be available to the localities for construction of school buildings.<sup>43</sup> A stipulation placed with this measure was that annual installments totaling such sum would be transferred to the Virginia Retirement System (VRS). As stated above, the Sinking Fund contained an excess of eleven million dollars, which was being held to liquidate the funded debt as state bonds matured. Since the funds contained in the Sinking Fund were not needed immediately, the \$11 million was authorized as a transfer to the depleted Literary Fund. The money would be transferred to the Literary Fund when the localities requested loans. The

---

<sup>38</sup> *Constitution of Virginia*, Art IX, Sec. 134, p. 99-100.

<sup>39</sup> *Senate Journal*, 1947, pp. 46 and 181.

<sup>40</sup> Buck, p.417.

<sup>41</sup> *Acts of Virginia Assembly* (1950), chap. 14, p. 12.

<sup>42</sup> Buck p. 417

<sup>43</sup> *Ibid.*

money would be transferred to the VRS when the Literary Fund exceeded ten million dollars.<sup>44</sup> The Annual Report of the Superintendent of Public Instruction showed that in 1951-52, \$1,365,000 was transferred from the Literary Fund to the VRS.<sup>45</sup> Table 4 reflects the amount of revenue that was transferred to the VRS from 1951-1960. Included in Table 5 are the amounts of revenue transferred to the Literary Fund and the revenue transferred to the localities from the Literary Fund for the same reporting years.

Table 4 -- Revenue amounts transferred from the Literary Fund to the Virginia Retirement System for 1951-1960

YEAR	AMOUNT
1951 –1952	1,356,000
1952 –1953	1,365,000
1953 – 1954	1,365,000
1954 – 1955	1,465,000
1955 – 1956	1,465,000
1956 – 1957	1,465,000
1957 – 1958	1,465,000
1958 –1959	1,465,000
1959 – 1960	1,465,000

Source: *Annual Report of the Superintendent of Public Instruction*, (1951-52) p. 177; (1952-53) p. 172; (1953-54) p. 170; (1954-55) p. 172; (1955-56) p.175; (1956-57) p. 183; (1957-58) p. 163; (1958-59) p. 157; (1959-60) p. 195.

<sup>44</sup> Senate *Journal*, 1950, pp. 242-243, and 891; House *Journal*, 1950, pp. 536, and 1222.

<sup>45</sup> *Annual Report of the Superintendent of Public Instruction*, 1951-52, p. 177.

Table 5. – Revenue Transfers to the Literary Fund and Literary Fund loans to localities, Commonwealth of Virginia, 1951-52 to 1959-60

Year	Transfers to Literary Fund	Literary Fund Loans to Localities
1951 – 52	6,466,230.58	2,133,784.00
1952 – 53	5,135,515.39	1,399,900.00
1953 – 54	4,816,292.39	398,150.00
1954 – 55	2,838,057.71	133,032.00
1955 - 56	3,816,379.20	1,958,995.00
1956 - 57	4,393,436.64	1,620,864.00
1957 - 58	3,049,647.01	1,994,200.00
1958 - 59	12,043,667.97	2,648,973.00
1959 - 60	3,377,349.87	2,145,900.00

Source: *Annual Report of the Superintendent of Public Instruction*, (1951-52) pp. 177, 179; (1952-53) pp. 172, 175; (1953-54) pp. 170, 172; (1954-55) pp. 172, 174; (1955-56) pp.175, 177; (1956-57) pp. 183, 185; (1957-58) pp. 163, 165; (1958-59) p. 157, 159; (1959-60) pp.195, 198.

These transfers from the Literary Fund to the Virginia Retirement System helped solidify the retirement program for Virginia’s state employees, but it further diverted funds that could be made available for public school construction projects in the Commonwealth from the Literary Fund.

### School Desegregation

The focus of education in the early 1950s was placed more heavily on the condition of school facilities due to the need to integrate the races in the public schools. The Supreme Court case *Brown v. the Board of Education of Topeka* changed the focus of Virginians and the nation in 1954. This case ruled that racially segregated schools were unconstitutional. This landmark decision stated “that in the field of education the doctrine of separate but equal has no place.”<sup>46</sup> This was a direct reversal of *Plessy v. Ferguson* which in 1896 had ruled that the doctrine of separate but equal accommodations was constitutional.<sup>47</sup> What followed throughout the South, particularly Virginia, were years of turmoil and political resistance to the desegregation of public schools. In Virginia, this resistance was referred to as *Massive Resistance*.

<sup>46</sup> 347 U.S. 483 p. 873, 74 S. Ct. 686 (1954).

<sup>47</sup> 163 U.S. 537, 16 S. Ct. 1138; 41 L. Ed. 256 (1896). This case dealt with Railway accommodations, not with public school facilities.

The problem of integrating schools became a financial dilemma because it would require the erection of new facilities to meet the demand of the increased enrollment of African-Americans. It was obvious to anyone that schools attended by African-American children were considerably inferior to schools serving white children. In the southern states the average per pupil expenditure for white pupils was much greater than the average per pupil expenditure for African-American pupils. When schools were integrated, school costs were increased significantly in the states that had been maintaining segregated schools because the per pupil expenditures for African-American pupils had to be increased to the level provided white pupils. The requirement to end segregation forced the states to level-up rather than reduce the quality of education provided statewide.<sup>48</sup> This meant that higher quality facilities were desperately needed, which would increase the need for capital outlay as well as debt service. Often new and high quality capital facilities were provided but all too often shoddy facilities were built *on the cheap*, and have required high cost of maintenance, renovation, and early replacement.

Increased enrollment in the public schools from 1931-1960 also exacerbated the need to build new schools. Following the conclusion of World War II and the downsized military, a tremendous increase in the birth rate quickly followed. In 1947, 3,699,940 births represented the highest on record and 1949 recorded the second highest birth rate in history of the United States.<sup>49</sup> Obviously, the birth totals were followed in a few years by comparable increases in the number of pupils who were enrolling in public schools. Note the extraordinary increase in number of pupils enrolled in public schools from 1950 to 1960.

Table 6 --- Number of Pupils Enrolled in Public Schools, Commonwealth of Virginia, 1931-1960.

YEAR	NUMBER OF PUPILS	Percent Increase/ Decrease Over 1931
1931	578,066	
1940	539,475	-6.70%
1950	607,198	5.40%
1960	841,574	45.60%

Source: *Annual Report of Superintendent of Public Instruction*, (1930-31), p. 155; (1939-40), p. 165; (1949-50), p. 278; (1959-60), p. 318.

<sup>48</sup> Alexander and Salmon, p. 90.

<sup>49</sup> Buck, p. 394.

There was little activity involving the Literary Fund during the years following the Era of Massive Resistance to integration in Virginia. This can be attributed partially to the fact that local school boards were controlled primarily by whites who often were reluctant to build integrated schools. As the 1950s came to a close there was an increased need for additional revenue for the construction of public school facilities.

### Summary

The twentieth century began with a new constitution in Virginia which established more favorable provisions for public education in the Commonwealth. Education proponents of public schools viewed the new constitution as an opportunity to generate support for increased education funding from the localities of the state. In addition, the State Superintendent of Public Instruction used his position to solicit more funding from the Literary Fund to aid in capital construction throughout the Commonwealth.<sup>50</sup>

Legislation was passed in 1906 that changed the way the Literary Fund was utilized in subsequent years. The legislation known as The Williams Building Act transformed the Literary Fund into a school building fund which allowed localities to borrow money from the Fund for school construction upon written request from the local school boards with the approval of their respective governing bodies. Stipulations were placed upon these loans with respect to the amounts that were available and the percentage of interest that would have to be paid back by the localities. In order to make it easy to acquire loans in subsequent years, the interest rate was set at three to four percent.

National and international affairs created funding problems for education during the sixty-year time span, 1900-1960. World Wars, The Great Depression, and desegregation of the schools helped draw attention of the public away from raising revenue for school purposes. Since most local revenue was derived from property taxes, and these taxes were essential for current operational costs, it became difficult to increase funds for capital outlay and debt service during times of economic strife.

---

<sup>50</sup> *Virginia School Report*, 1903-1905, p. XXXII.

There were positive strides made in facility improvements during this time span due to the use of Literary Fund revenue and the aid derived from federal relief programs of President Franklin Delano Roosevelt. The PWA and WPA provided federal dollars for school construction during the latter half of the 1930s. Also, the Literary Fund principal increased by approximately three million dollars during this decade.<sup>51</sup> The General Assembly began to enact legislation which made it easier for localities to acquire school loans from the Literary Fund which could be used for new capital construction or to retire existing debt that demanded higher rates of interest.

The commencement of World War II hampered school construction because attention throughout the United States was drawn to the production of war-related materials and equipment. When the United States was drawn into the conflict, a shortage of labor and materials resulted in few new buildings being erected throughout the war years. The construction of school facilities was deferred until skilled labor and materials could be released from defense construction.

Following the election of Governor John Battle in 1950 and under his leadership a much-needed increase in the amount of revenue appropriated for both current operations and capital outlay occurred. Years of neglect in school facilities had created critical inadequacies in the localities throughout the Commonwealth. Governor Battle, with the support of the General Assembly, appropriated \$45,000,000 to localities for school buildings during the 1950-52 biennium. To further aid school construction \$11,000,000 was transferred to the Literary Fund from the Sinking Fund of the State.

Legislation affecting the Literary Fund and the Virginia Retirement System also was passed in the 1950s. Essentially this legislation transferred money from the Literary Fund to help fund the retirement system that primarily served Virginia's school personnel. Money could be transferred only when the Literary Fund exceeded ten million dollars in principal. This became a precedent which continued throughout the century. Critics of this practice complained that revenue was thus being diverted from school construction.

The decade of the 1950s also brought on another funding dilemma for schools in the form of desegregation. Racially segregated schools were ruled unconstitutional by the Supreme Court in the 1954 *Brown v. Board of Education*, which meant that a huge building program had to be

---

<sup>51</sup> *Annual Report of the Superintendent of Public Instruction, 1930-1931*, p. 131, 1940-1941, p. 158. The Literary Fund principal in 1931 totaled \$6,056,816.90. In 1941 this total was \$9,238,774.02.

undertaken in order to provide adequate facilities to house African-Americans and whites together. This, along with an increased school enrollment across the Commonwealth, dictated that capital outlay for school building construction would have to be increased significantly. This was the challenge that faced the populace of Virginia as the decade of the 1960s began.



## Chapter 6

### THE LITERARY FUND IN THE MODERN ERA 1961-2000

As the decade of the 1960s began, the efforts to provide sufficient capital outlay for school construction continued. Increased school enrollment and desegregation of schools were two factors that heightened this need for new buildings across the Commonwealth. In an attempt to remedy this crisis, the General Assembly passed a historic act on March 7, 1962. This act established the Virginia Public School Authority (VPSA) whose purpose would be to supply loans for public school construction.<sup>1</sup>

This legislation, known as the *Enabling Act*, established the VPSA as a public body corporate. It could sue and be sued and could form contracts.<sup>2</sup> The VPSA, by this law, was authorized:

(a) to manage and administer as provided in the Enabling Act all moneys or obligations that may be set aside and transferred to the Authority from the principal of the Literary Fund by the General Assembly of Virginia for public school purposes pursuant to Section 134 of the Constitution of Virginia.

(b) to purchase, with any funds of the Authority available for such purpose, at public or private sale and for such price and on such terms as it shall determine, bonds or other obligations issued by counties, cities and towns under the provisions of the Public Finance Act of 1958, being Chapter 19.1, Title 15, Code of Virginia, 1950, as heretofore or hereafter amended, for the purpose of constructing, extending, repairing and equipping public schools (said bonds or other obligations, together with any other bonds or obligations issued by counties, cities, towns and other political subdivisions of the Commonwealth of Virginia for such purpose which the Authority may hereafter be authorized to purchase, being hereinafter sometimes collectively called “local school bonds”), and

(c) to issue, at one time or from time to time, for the purpose of providing funds for the purchase of local school bonds, bonds of the Authority in such amount or amounts as the Board shall determine, payable solely from funds of the Authority, including, but without limitation, (i) payments of principal and of interest on local school bonds purchased by the Authority, (ii) the proceeds of the sale of any such local school bonds, (iii) payments of principal of and interest on obligations transferred to the Authority from the Literary Fund, (iv) the proceeds of the sale of any such obligations, and (v) any moneys transferred to the Authority from the Literary Fund.<sup>3</sup>

---

<sup>1</sup> Senate *Journal*, 1962, pp. 196 and 579.

<sup>2</sup> *Acts of Virginia Assembly*, 1962, pp. 288 and 291.

<sup>3</sup> *Code Of Virginia*, sec. 22.1-164.

The VPSA was formed to help localities overcome the problems of high interest rates. The VPSA had the ability to loan higher amounts of money on a less restrictive basis for school construction, additions, repairs and equipment.<sup>4</sup>

Barr and Wilkerson stated that the VPSA is not a school building authority, but a Bond Bank. It was created in part for the purpose of purchasing local school division bonds at lower rates than were available on the open market.<sup>5</sup> However, its primary purpose was to circumvent voter approval of local school division bonds. Due to the reluctance of citizens to approve the sale of bonds, led by Massive Resistance, few school divisions were able to gain voter approval for the sale of bonds. The VPSA was authorized to purchase bonds of counties, cities and towns for public school purposes and resell the bonds without voter approval.<sup>6</sup> As expressed by the Director of Debt Management of the VPSA in a memo to local school divisions, the objectives of the loan program through the VPSA are to make financing available to the localities of Virginia in a manner that “provides market access to communities which do not have ready access; to provide low cost financing to communities needing assistance and to maintain the high credit quality of the VPSA financing program, thus ensuring that the lowest possible interest rates are obtained for participating localities.”<sup>7</sup>

The VPSA was directly linked to the Literary Fund of Virginia because its collateral for purchase of local bonds was derived from the Literary Fund. The 1962 Act provided for the transfer of all Literary Fund money in excess of ten million dollars to be transferred to the VPSA each year.<sup>8</sup> The first transfer occurred on July 1, 1962, and totaled \$51,763,284.32. This established the beginning balance of the VPSA.<sup>9</sup>

According to the Code of Virginia, the VPSA is required to repay the Literary Fund, on or before the tenth day of January in each year, “an amount equal to the excess of the principal and interest collected by the VPSA in the preceding year on account of obligations transferred to the VPSA from the Literary Fund over such portion of such principal and interest as shall have

---

<sup>4</sup> *Acts of the Assembly*, 1962, pp. 287-288.

<sup>5</sup> W. Monfort Barr and William R. Wilkerson, *Innovative Financing of Public School Facilities* (Danville, Ill.: Interstate Printers & Publishers, Inc., 1973), p. 113.

<sup>6</sup> Bayes E. Wilson, “A Study of the Financing of Public School Capital Facilities in the Commonwealth of Virginia,” (Ed.D. Diss., Virginia Polytechnic Institute and State University, 1988), p. 232.

<sup>7</sup> *Ibid.*, p. 233.

<sup>8</sup> *Acts of Virginia Assembly*, 1962, p. 291.

<sup>9</sup> *Annual Report of the Superintendent of Public Instruction*, 1962-63, p. 230.

been pledged by any trust indenture or resolution authorizing bonds of the VPSA”.<sup>10</sup> The VPSA uses proceeds from the sale of its bonds to purchase general obligation bonds from the localities. The VPSA bonds are secured by principal and interest on the underlying locality’s bonds, proceeds from the sale of the local bonds, and payment of principal and interest on obligations transferred to the VPSA from the Literary Fund.<sup>11</sup> Although a quasi corporation of the state, the VPSA enjoys the credit rating awarded the Commonwealth of Virginia. As such, the VPSA demands a favorable interest rate from the bonds marketed through the VPSA.

The Virginia Public School Authority provided an alternative mechanism by which localities could borrow money for school construction. The state had an agency that could go outside of Virginia’s borders and sell bonds at a lower cost because they were supported by the Literary Fund, and the credit rating of the Commonwealth. This allowed for more loans with a less rigid set of requirements. The localities did not have to obtain voter approval for bonds sold to the VPSA. Localities benefited greatly from the VPSA because when Literary Fund money was depleted they could still receive low interest loans for building construction.

During the remainder of the decade of the 1960s, there were no legislative measures affecting the Literary Fund. This was due in part, perhaps, to the establishment of the Virginia Public School Authority and its successful loan program. Displayed in Table 7 are the total amounts transferred from the Literary Fund to the VPSA during this decade.

---

<sup>10</sup> *Code of Virginia*, section 22.1-170.

<sup>11</sup> *Ibid.*, Sec. 22.1-168.

Table 7 --- Total Amounts Transferred from the Literary Fund of Virginia to the Virginia Public School Authority 1962 – 1970

Year	Amounts Transferred
1962 – 1963	51,763,284.32
1963 – 1964	9,035,834.00
1964 – 1965	4,191,673.00
1965 – 1966	6,612,925.00
1966 – 1967	5,597,675.00
1967 – 1968	11,540,766.00
1968 – 1969	5,955,880.00
1969 – 1970	10,210,990.00
Total	104,909,027.32

Source: *Annual Report of the Superintendent of Public Instruction*, (1962 – 1963), p. 230; (1963 – 1964), p. 233; (1964 – 1965), p. 219; (1965 – 1966), p. 175; (1966 – 1967), p. 185; (1967 – 1968), p. 199; (1968 – 1969), p. 196; (1969 – 1970), p. 203.

The Virginia Public School Authority continues to be a valuable asset to school divisions today as it provides financing to localities through the sale of its bonds. All local school divisions in the Commonwealth are invited to participate in the regularly scheduled pooled bond sales in the spring and fall of each year. Pooled bonds issued by the VPSA under its 1987, 1990 Insured, 1991 and 1997 Resolutions are secured by the payments on general obligation school bonds (*Local School Bonds*) purchased by the VPSA. The Local School Bonds are required to be general obligations of the Local Issuer’s full faith and credit pledge. Furthermore, in the event of a default of any Local School Bond, a *State Aid Intercept* provision provides for a diversion of all funds appropriated and payable to the Local Issuer by the Commonwealth to the holder of the Local School Bonds. The bonds of each resolution have additional security.<sup>12</sup>

The 1987 Resolution Bonds additionally are secured by a lien on Literary Fund Obligations held in the 1987 Reserve Fund. As of June 30, 1998, the VPSA had issued \$1,178,086,000 total principal amount of 1987 Resolution Bonds in sixteen separate series, of which \$494,180,000 was outstanding. In 1993 the Board suspended the issuance of additional bonds under this Resolution.<sup>13</sup>

<sup>12</sup> <http://www.trs.state.va.us/textfiles/VPSA/VPSAhome.htm>

<sup>13</sup> Ibid.

The 1990 Insured Resolution Bonds are further secured by a municipal bond insurance policy provided by Municipal Bond Investors Assurance Corporation. As of June 30, 1998, the principal outstanding for bonds outstanding under this resolution was \$25,590,000.<sup>14</sup> Bonds issued through bond insurers such as the Municipal Bond Investors Assurance Corporation are automatically awarded the highest credit rating, thus demanding a favorable interest rate.

The 1991 Resolution Bonds are secured additionally by the 1991 Debt Service Reserve Account and by a *moral obligation pledge* of the Commonwealth to make up any deficiencies therein. The VPSA has issued \$791,600,000 total principal amount of 1991 Resolution Bonds in ten separate series, of which \$553,985,000 is outstanding as of June 30, 1998.<sup>15</sup> The VPSA is limited by statute to no more than \$800 million in bonds outstanding at any one time.<sup>16</sup>

The 1997 Resolution Bonds are secured additionally by a *sum sufficient* appropriation by the General Assembly to provide the difference, if any, between the debt service payments made on the Local School Bonds and the sum of (1) debt service payments made on the Local School Bonds and (2) funds obtained from enforcement of the State Aid Intercept provision. The first source of funds for the sum sufficient appropriation is available funds in the Literary Fund with the general fund of the Commonwealth as the secondary source. The VPSA has issued \$355,000,000 total principal amount of 1997 Resolution Bonds in two separate series, all of which was outstanding as of June 30, 1998. Local participants in pooled bond issues have historically utilized a twenty-year level principal debt service structure. However, bonds issued under the 1997 Resolution have accommodated alternate amortization schedules for Local Issuers including intermediate term and level debt service structures in the pool of Local Issuers. At this time, 1997 Resolution Bonds are the primary pooled financing vehicle for the VPSA.<sup>17</sup>

In addition to its pooled bond program, the VPSA also issues special obligation bonds under its stand-alone program. Bonds issued under the stand-alone program are secured solely by the local school bonds purchased from one or more specific localities.<sup>18</sup>

---

<sup>14</sup> Ibid.

<sup>15</sup> Ibid.

<sup>16</sup> VPSA, "Notes to the Financial Statements", June 30, 1999, p. 8.

<sup>17</sup> <http://www.trs.state.va.us/textfiles/VPSA/VPSAhome.htm>

<sup>18</sup> VPSA, p. 9.

The VPSA also has issued obligations to finance technology equipment purchases for local public school systems and these obligations are payable from or otherwise secured by the assets and income of the Literary Fund.<sup>19</sup>

The next significant act related to the Literary Fund that was passed by the General Assembly was in 1971. This law raised the amount of principal needed in the Literary Fund before the excess was routed to the Virginia Public School Authority. The amount was raised from ten million dollars to eighty million dollars.<sup>20</sup>

#### Establishment of Virginia Standards of Quality

Also, 1971 saw a state constitutional revision which greatly affected public education and ultimately would affect the Literary Fund of Virginia. The educational provision of the new state constitution prescribed *Standards of Quality* for Virginia's school divisions and attempted to address the equalization of educational opportunity within the Commonwealth.

Article VIII of the 1971 Virginia Constitution contained the provisions for education. The Constitution assigned the responsibility of providing a system of free public elementary and secondary schools in Virginia to the General Assembly.<sup>21</sup> The Constitution further stated that the General Assembly should determine the manner in which funds are to be provided for the cost of maintaining an educational program meeting the prescribed Standards of Quality and should provide for the apportionment of the cost of such program between the Commonwealth and the local units of government comprising such school divisions.<sup>22</sup>

The revised Virginia Constitution of 1971 stipulated that "Standards of Quality for the several school divisions should be determined and prescribed from time to time by the Board of Education subject to revision only by the General Assembly." The Standards applied to public school personnel, instructional materials, planning and management, and programs.<sup>23</sup> The Standards of Quality establish the foundation program for public education and are revised each biennium.

---

<sup>19</sup> Ibid.

<sup>20</sup> Senate *Journal*, 1971, pp. 36 and 146.

<sup>21</sup> *Constitution of Virginia*, 1971, Article VIII, Sec. 1.

<sup>22</sup> Ibid, Sec. 2.

<sup>23</sup> Ibid.

In order to determine the funding method for the constitutionally required Standards of Quality, Governor Linwood Holton, in October 1972, appointed a task force on Financing the Standards of Quality for the purpose of determining: (a) The cost of implementing the Standards of Quality and Objectives for Virginia public schools 1972-74; (b) local ability to pay; and (c) the distribution method for a 1973-74 supplemental appropriation to meet the cost.<sup>24</sup>

The Task Force recommended that the local share of education should be based on an expenditure equivalent to eighty-two cents per \$100 of 1970 true property values, plus revenue from the one-cent sales tax earmarked for public education. (True property value refers to equalizing the assessment practices across the state so that all divisions are rated fairly). The General Assembly established \$628 per pupil in average daily membership as the *foundation cost* for the Standards of Quality with the local share of such cost as recommended by the Task Force. The *foundation cost* is a guaranteed minimum per-unit amount below which no school division is permitted to fall. The state's share of funding for the Standards was provided through the basic school aid appropriation plus an additional appropriation of \$24,7000,000 for fiscal year 1973-74 to meet the constitutional requirement for providing a *high quality* education.<sup>25</sup>

#### Local Composite Index

The Task Force also suggested a local composite index which would include true property values, personal income, and taxable retail sales receipts as the method of determining the required minimum state and local funds as determined by the funding formula of the Standards of Quality. The new state distribution formula was first implemented by the General Assembly for school year 1973-74.<sup>26</sup> The distribution formula, although modified modestly, is still in effect with the local composite indices changing each biennium due to changing unique economic indicators for each of the several Virginia school divisions.

As discussed above, local composite indices have been designed to partially address the substantial variance of fiscal capacity that exists among Virginia school divisions. If similar accommodations are not made for Literary Fund loans, less fiscally able school divisions will be fiscally disadvantaged. This inequity existed until 1984. In 1984, the Virginia Board of Education, upon recommendation of the then State Superintendent of Public Instruction, S. John

---

<sup>24</sup> Wilson, p. 222.

<sup>25</sup> Ibid., p. 223.

<sup>26</sup> Ibid., p. 224.

Davis, adopted a new regulation for loaning Literary Loan funds. Effective January 1984, the interest rate charged for Literary loans would be based on a locality's Local Composite Index. Those localities with an index between .2000 and .3999 would be charged the lowest rate or that of three percent. Localities whose index fell between .4000 and .5999 would be charged four percent, while a five percent rate would apply to the localities whose index was between .6000 and .7999. The highest interest rate, six percent, applied to those localities that had a .8000 index or higher.<sup>27</sup>

This regulation greatly benefited the lower fiscal capacity school divisions in the Commonwealth and was an achievement of which S. John Davis is particularly proud. Davis served as State Superintendent of Public Instruction from 1980-1990 and viewed this reduction in interest rates for low capacity divisions as one of his major accomplishments. He indicated that it was unfair for those school divisions that had low composite indices to be paying an identical rate of interest paid by high capacity divisions. More recently, Davis suggested that the interest rate for poorer divisions should be reduced below the 2 percent level currently required.<sup>28</sup>

#### Diversion of Literary Fund Revenue to the Virginia Retirement System

The history of the Literary Fund has illustrated that since its inception there have been successful attempts to channel its revenue to purposes other than public school construction. This has occurred although changes in 1906 caused it to be used primarily as a building fund.<sup>29</sup> Authority to divert the Literary Fund loans is derived from the Virginia Constitution, which stipulates that literary funds in excess of \$80 million may be "set aside by the General Assembly for public school purposes."<sup>30</sup> The diversion of literary funds began, on a large scale, in 1983. This year saw a total of \$44.4 million transferred into the teacher retirement fund of Virginia. This began a practice that has continued. Education supporters have argued that diversion of revenue has interfered with the intended purpose of the Literary Fund. The fact that the waiting

---

<sup>27</sup> Virginia Board of Education, *Minutes*, vol. 54, December 9, 1983, pp. 164, 165.

<sup>28</sup> S. John Davis, Superintendent of Public Instruction, Interview by author, March 9, 2000, Chesterfield Co. School Board Office, Chesterfield, Virginia.

<sup>29</sup> *Acts of Virginia Assembly*, 1906, p. 446.

<sup>30</sup> *Constitution of Virginia*, Art. VIII, Sec. 8.



list for localities to receive loans from the Literary Fund has consistently been from one to two years for the last twenty-five years validates the critics' concern.

The 1980s presented budget problems for the Commonwealth that resulted in the diversion of money from the Literary Fund to the General Fund. State policy makers steadfastly refused to consider any increases in state taxes. The difficulty in balancing the budget without a tax increase became particularly acute during the 1983-84 General Assembly. Although state education aid to localities was spared cuts, the budget shortfall had to be addressed, and it became apparent that state general fund allocations to local school divisions had to be reduced. The General Assembly and the Governor decided that diversion of Literary Fund revenue would have the least detrimental effect on local school budgets. The transfer of millions of dollars from the Literary Fund meant that the amount of Literary Fund diversion did not have to be cut from local education operating budgets statewide. This money was used primarily to fund the state share of employee retirement costs in the Commonwealth. As a result of Literary Fund diversion, the then Governor Robb was forced to place a freeze on funding all new Literary loans to the localities for eighteen months.<sup>31</sup>

Obviously, new school construction was dealt a severe setback for years to come, and by 1986, the waiting list for Literary Fund loans had grown to eighty-two projects with a waiting period of over two years.<sup>32</sup> Shown in Table 8 are the amounts of revenue that was transferred from the Literary Fund to the Virginia Supplemental Retirement System (VSRS) during the 1980s.

---

<sup>31</sup> Stuart W. Connock, Director of Department of Planning and Budget, to Bayes E. Wilson, Superintendent of Roanoke County Schools, February 18, 1983, letter concerning diversion of Literary Funds and freeze of Literary loans.

<sup>32</sup> S. John Davis, "Superintendent's Memo no. 26," (Informational), February 4, 1987, p. 16.

Table 8 --- Transfers of Literary Fund Revenue for Teacher Retirement 1980 – 1990

Year	Amounts Transferred
1980 - 1981	3,300,000.00
1981 - 1982	8,400,000.00
1982 - 1983	31,700,000.00
1983 - 1984	44,400,000.00
1984 - 1985	10,000,000.00
1985 - 1986	22,000,000.00
1986 - 1987	15,000,000.00
1987 - 1988	32,100,000.00
1988 - 1989	10,000,000.00
1989 - 1990	60,000,000.00
Total	236,900,000.00

Source: *Annual Report of the Superintendent of Public Instruction*, (1980 – 81), p 21; (1981 – 1982), p. 31; (1982 – 1983), p. 46; (1983 – 1984), p. 20; (1984 – 1985), p. 30; (1985 – 1986), p. 26; (1986 – 1987), p. 24; (1987 – 1988), p. 31; (1988-1989), p. 28; (1989 – 1990), p. 32.

As building costs increased throughout the Commonwealth, measures had to be taken to increase the maximum loans for which localities could apply. In 1980, the State Department of Education increased the maximum limit for any one loan from the Literary Fund from \$750,000 to \$1 million,<sup>33</sup> and in 1982, the ceiling on individual loan requests was increased to \$2 million.<sup>34</sup> The cap was again raised in 1988 to \$5 million.<sup>35</sup> The current limitation for individual loans was set at \$7.5 million in 1998.<sup>36</sup> Table 9 examines the rising cost of school construction in the Commonwealth during the current century.

<sup>33</sup> Virginia State Board of Education, *Minutes*, Vol. 51, January 25, 1980, p. 10

<sup>34</sup> *Ibid.*, Vol. 53, July 29, 1982, p. 126.

<sup>35</sup> *Ibid.*, Vol. 59, March 30, 1988, p. 110.

<sup>36</sup> *Acts of Virginia Assembly*, March 13, 1998, Chapter 70, p. 145.

Table 9 --- Virginia Average Construction Cost of School Buildings, Commonwealth of Virginia, Fiscal Years 1994 -- 1999

FISCAL YEAR	1994	1995	1996	1997	1998	1999
<b>ELEMENTARY</b>						
Square Foot/Pupil	104	97	97	98	104	105
Cost/Square Foot	\$74.91	\$88.41	\$86.33	\$97.45	\$93.82	\$102.66
Cost/Pupil	\$7,802	\$8,598	\$8,372	\$9,562	\$9,732	\$10,745
Number of New Schools	19	9	15	15	13	20
<b>INTERMEDIATE/MIDDLE:</b>						
Square Foot/Pupil	133	131	131	137	131	137
Cost/Square Foot	\$74.46	\$84.80	\$84.03	\$102.90	\$102.17	\$86.02
Cost/Pupil	\$9,889	\$11,136	\$11,236	\$14,130	\$13,356	\$11,795
Number of New Schools	6	2	5	4	3	4
<b>HIGH SCHOOLS</b>						
Square Foot/Pupil	99	129	152	159	135	147
Cost/Square Foot	\$67.75	\$89.77	\$91.94	\$106.97	\$98.81	\$114.66
Cost/Pupil	\$6,740	\$11,619	\$13,945	\$17,059	\$13,304	\$16,891
Number of New Schools	1	4	4	3	3	4
<b>COMBINED AND VOC. TECHNICAL SCHOOLS: (Reference notes below)</b>						
Square Foot/Pupil	127 <sup>1</sup>	115 <sup>2</sup>	128	146 <sup>3</sup>	0	379 <sup>4</sup>
Cost/Square Foot	\$80.08 <sup>1</sup>	\$70.16 <sup>2</sup>	\$82.53	\$125.92 <sup>3</sup>	0	\$108.98 <sup>4</sup>
Cost/Pupil	\$10,190 <sup>1</sup>	\$8,068 <sup>2</sup>	\$10,548	\$18,347 <sup>3</sup>	0	\$41,298 <sup>4</sup>
Number of New Schools	1 <sup>1</sup>	1 <sup>2</sup>	1	1 <sup>3</sup>	NONE	1 <sup>4</sup>
<sup>1</sup> 93-94 is for a Combined Middle/High School - not Voc. Tech. School.						
<sup>2</sup> 94-95 is for a Combined Middle/High School - not Voc. Tech. School.						
<sup>3</sup> 96-97 is Combined K-12 School.						
<sup>4</sup> 98-99 is a Special Education Center.						
<b>ADDITIONS AND RENOVATIONS:</b>						
Cost/Square Foot	\$41.14	\$42.31	\$45.12	\$58.13	\$51.19	\$60.81
Number of Projects	27	13	9	16	20	20

Source: Hunter L. Barnes, Architectural Consultant, Division of Support Services, Department of Education, Memo to Division Superintendents, November 2, 2000.

### Technology Funding

As mentioned previously, increasing the amount loaned for individual projects, depleted the Literary Fund more quickly and caused many construction projects to be placed on the waiting list for funding, thus delaying the construction of needed school facilities. As presented in Table 8, by the end of the 1980s, approximately \$237 million had been diverted from the

Literary Fund for use in balancing the education budget in the Commonwealth by paying for the state share of employee retirement costs. The Literary Fund was drained still further by an initiative that began in 1988 whereby Literary Fund revenues were used as a mechanism to assist local school divisions to finance the purchase of computers and related technology.<sup>37</sup> To date, five statewide technology initiatives have been funded and/or authorized through the issuance of equipment notes through the Virginia Public School Authority. A 1988 initiative focused on computers for remediation in middle schools and distance learning. In 1990, another initiative continued implementation of remediation and distance learning efforts at the middle school level and provided funding for statewide administrative computing efforts. A 1995 initiative provided a core level of computer capabilities and access to information in every elementary school (complementing efforts at the high and middle school levels funded in the prior session with general funds) and began networking efforts. The 1996 initiative focused on three main components of the Six Year Plan for Technology: (1) Retrofitting and upgrading existing school buildings; (2) Providing multimedia microcomputers for use at the classroom level; and (3) Providing a 5:1 ratio of pupils to network-ready computers.<sup>38</sup> Displayed in Table 10 is the repayment schedule for the technology initiative from FY 1990-98.

---

<sup>37</sup> Kathy Kitchen, *Report on the Literary Fund*, Department of Education, January, 1997.

<sup>38</sup> Ibid.

Table 10 --- Transfers of Literary Fund Revenue for Technology Payments for FY 1990-1998

Fiscal Year	Issue I	Issue II	Issue III	Issue IV	Total
1990	\$2,527,987				\$2,527,987
1991	\$2,973,886				\$2,973,886
1992	\$2,956,972	\$3,798,667			\$6,755,639
1993	\$2,965,056	\$3,798,000			\$6,763,056
1994	\$2,972,408				\$2,972,408
1995					\$0
1996			\$10,574,638		\$10,574,638
1997			\$10,078,755		\$10,078,755
1998			\$10,126,355	\$12,675,988	\$22,802,343
					\$65,448,712

Source: Kathy Kitchen, *Report on the Literary Fund*, Department of Education, January, 1997.

#### Interest Rate Subsidy Program

As the decade of the 1980s came to a close, alternative measures were sought in order to finance the numerous backlog of construction projects that were awaiting funding throughout the Commonwealth. Given the level of transfers necessary for teacher retirement in 1988-89, the General Assembly authorized a program of *interest rate subsidies* in order to provide maximum funding for school construction projects. The Code of Virginia was amended on March 8, 1988, to provide for this change in policy. It read:

The Board of Education shall provide for an equitable distribution of the funds loaned or provided as loan interest rate subsidy payments from the Literary Fund among the several school divisions.<sup>39</sup>

This program normally is conducted concurrently with the fall pooled bond issue of the Virginia Public School Authority. The purpose of the program is to fund Literary Fund loan projects on the First Priority Waiting List through the Virginia Public School Authority and to *buy down* the local issuers' debt service through a subsidy so localities would be paying no more than if they had received a direct Literary Fund loan.<sup>40</sup>

<sup>39</sup> *Acts of Virginia Assembly*, March 8, 1988, Chapter 88, p. 97.

<sup>40</sup> <http://www.trs.state.va.us/textfiles/VPSAhome.htm>

For example, a locality awaiting funding and placed on the First Priority Waiting List for \$1 million at an interest rate of two percent would have a twenty-year cost repayment plan of \$1,202,944. If an overall interest rate cost of 6.27 percent through the Virginia Public School Authority was assumed, the locality would sell local bonds to the VPSA in the amount of \$701,821 and have a twenty-year cost of \$1,205,908. The locality would receive a grant from the Literary Fund in the amount of \$301,679, which when added to the \$701,821 from the Virginia Public School Authority would provide for the total cost of \$1 million. Given the level of market rates at the time of a subsidy sale, and the rate of interest charged to localities through the Literary Fund, a subsidy program can fund \$3 to \$4 of projects for every \$1 of Literary Fund revenue. Provided in Table 11 is a summary of the projects funded and costs to the Literary Fund for such subsidy programs from FY 1988-96.

Table 11 --- Interest Rate Subsidy Program, 1988 -1996

Interest Rate Subsidy Program		
Year	Value of Projects Funded	Total Cost to the Literary Fund
1988	\$ 23,757,500	\$ 8,446,500
1990	43,405,770	11,033,560
1991	106,806,799	27,898,774
1992	42,872,037	10,611,971
1994	40,689,574	10,069,683
1995	64,733,441	12,266,988
1996	43,675,000	8,652,972

Source: Kathy Kitchen, *Report on the Literary Fund*, Virginia Department of Education, January, 1997

As the new decade of the 1990s began, there was reason to believe that the Literary Fund could once again provide significant loans to local school divisions through the reliance on the Virginia Public School Authority as well as the interest rate subsidy program. However, another downward slide in the economy of the Commonwealth created similar funding problems as occurred in 1983-84.

### The Diversion of Literary Funds in the 1990s

Due to the national recession of the early 1990s and the refusal of then Governor, L. Douglas Wilder to consider even a small tax increase, revenue from the Literary Fund was once again diverted in FY 1992 to offset budget shortfalls in the state. That year marked the largest transfer in history from the Literary Fund to fund the state share of the VRS. The \$101.1 million that was transferred represented 98.3 percent of the revenue that the Literary Fund generated that year.<sup>41</sup> The succeeding years of 1992-93 saw \$91.3 million transferred,<sup>42</sup> \$93.9 million in 1993-94,<sup>43</sup> and \$82.3 million in 1994-95.<sup>44</sup> Represented in Table 12 are the amounts of funds transferred from 1990-91 through 1997-98 and the percent of the Literary Fund revenue that these transfers represented.

Table 12 --- Transfers of Literary Fund Revenue for Teacher Retirement for 1990-1998 (\$ In millions)

Fiscal Year	Total Revenues	Transfer to VRS	% Transferred
1991	102.1	36.8	36.0
1992	102.8	101.1	98.3
1993	100.9	91.3	90.5
1994	101.5	93.9	92.5
1995	119.0	82.3	69.2
1996	113.4	45.8	40.4
1997	146.5	41.2	28.1
1998	127.0	32.3	25.4

Source: Kathy Kitchen, *Report on the Literary Fund*, Department of Education, January, 1997.

The negative effect on public school construction was devastating during these years. From 1991 through 1994 there were no direct Literary Fund loans released to the localities for building projects.<sup>45</sup> The results from these years of neglecting facility needs were that the waiting list for loans from the Literary Fund exceeded two years. According to the School Facility Survey from the Virginia Department of Education, unmet school facility needs for maintenance

<sup>41</sup> *Annual Report of the Superintendent of Public Instruction*, 1991-92, p. 32.

<sup>42</sup> *Ibid.*, (1992-93), p. 32.

<sup>43</sup> *Ibid.*, (1993-94), p. 32.

<sup>44</sup> *Ibid.*, (1994-95), p. 32.

<sup>45</sup> David Blount, Ed., CEPI, "Capital Funding: Facilities and Technology", 2000, p. 2.

and capital improvement had grown to over \$2.2 billion by FY 1996.<sup>46</sup> On July 1, 1994, the First Priority Waiting List consisted of \$98.9 million of projects and one year later, the First Priority Waiting list had only been reduced to \$92.2 million. Approximately one-half of the projects had been waiting for more than one year, with several projects experiencing waiting times of nearly two years. On July 1, 1996, the First Priority Waiting List consisted of 41 projects and had increased to \$114.1 million.<sup>47</sup>

Applications for Literary Loan funds were placed into the following priorities:

Priority 1: Applications placed on the Waiting List by the Virginia Board of Education from school divisions having a composite index less than .6000, and an outstanding indebtedness (including the application considered for release of funds by the Board of Education) to the Literary Fund less than \$20 million.<sup>48</sup>

Priority 2: Applications placed on the Waiting List by the Board of Education from the school divisions having a composite index of .6000 or above, or an outstanding indebtedness (including the application considered for release of funds by the Board of Education) to the Literary Fund greater than \$20 million.<sup>49</sup>

Not only were Literary Funds being depleted in the 1990s to the general fund, but there were other measures passed during these years by the General Assembly that resulted in additional diversion of revenue from traditional capital projects. On April 3, 1991, an act was passed by the General Assembly to amend the Code of Virginia relating to loans from the Literary Fund. The act permitted the Virginia Board of Education to make loans from the Literary Fund for the purpose of:

Equipping school busses for alternative fuel conversions and for construction of school bus fueling facilities for supplying compressed natural gas or other alternative fuels. For the purpose of this section “alternative fuels” means motor fuels other than gasoline and diesel fuel.<sup>50</sup>

In 1994, the Code was changed to add that the Literary Fund could make loans for:

The refinancing or redemption of negotiable notes, bonds and other evidences of indebtedness or obligations incurred by a locality on behalf of a school division which

---

<sup>46</sup> VEA, “Statement on Education Funding”, Presented at the Public Hearing of the Commission to Study Virginia’s State and Local Tax Structure For the 21<sup>st</sup> Century, April 27, 2000, p. 5.

<sup>47</sup> Kitchen, p. 13.

<sup>48</sup> State Board of Education, “Regulations Governing Literary Loan Applications in Virginia”, Part VII, Section 7.2, 1998.

<sup>49</sup> Ibid.

<sup>50</sup> *Acts of Virginia Assembly*, April 3, 1991, Chapter 682, p. 1283.



has an application for a Literary Fund loan for an approved school project pending before the Board of Education.<sup>51</sup>

By an Act of March 15, 1997, the Virginia Board of Education Fund was authorized to use the Literary Fund to make loans “for purchasing and installing educational technology and infrastructure.”<sup>52</sup> These diversions of Literary revenues from the traditional loan program lowered repayment revenues, thus reducing growth in Literary Fund revenues during the 1990s.

Two other factors affected the growth of Literary Fund revenue during the decade of the 90s. One was in the form of a constitutional amendment, ratified November 6, 1990, and effective January 1, 1991. This amendment to the Virginia Constitution stated:

The General Assembly may provide by general law an exemption from this section for the proceeds from the sale of all property seized and forfeited to the Commonwealth for a violation of the criminal laws of this Commonwealth proscribing the manufacture, sale, or distribution of a controlled substance or marijuana. Such proceeds shall be paid into the state treasury and shall be distributed by law for the purpose of promoting law enforcement.<sup>53</sup>

Prior to this amendment, “all property accruing to the Commonwealth by forfeitures” had been designated as proceeds of the Literary Fund. Thus, millions of dollars in revenue was successfully channeled elsewhere.

Another factor that has reduced growth in Literary revenue is the increased practice of local law enforcement officials to write citations and collect revenues from fines under local law ordinances, rather than state statutes. This allows the fines and penalties to remain with the localities rather than reverting to the Literary Fund.

### The Virginia Lottery

While revenue has been diverted away from the Literary Fund, there is at least one program that has added revenue during the 90s, the Virginia Lottery. Since its inception in 1988, the Lottery has generated \$3.1 billion in revenue for the Commonwealth.<sup>54</sup> By law all unclaimed Virginia lottery prizes go to the Literary Fund. Beginning in fiscal year 1999, unclaimed Lottery prizes were transferred from the Literary Fund to be used solely for the purpose of school

---

<sup>51</sup> Ibid., April 10, 1994, Chapter 689, p. 1006.

<sup>52</sup> Ibid., March 15, 1997, Chapter 372, p. 546.

<sup>53</sup> *Constitution of Virginia*, Article 8, Section 8.

<sup>54</sup> <http://www.valottery.com/historyw.htm>

construction, additions and renovations.<sup>55</sup> Displayed in Table 13 is the total Lottery revenues and unclaimed prizes transferred to the Literary Fund from 1989-1999.

Table 13 --- Lottery Revenues, Commonwealth of Virginia, Fiscal Years 1989-1999

Lottery Revenues, Commonwealth of Virginia		
Fiscal Year	General Fund	Literary Fund
1989	\$140,500,000	
1990	\$156,500,000	\$2,100,000
1991	\$287,500,000	\$4,200,000
1992	\$290,800,000	\$5,100,000
1993	\$297,000,000	\$5,400,000
1994	\$303,500,000	\$6,500,000
1995	\$311,600,000	\$8,100,000
1996	\$332,600,000	\$9,200,000
1997	\$343,000,000	\$18,700,000
1998	\$318,900,000	\$10,600,000
1999	\$321,400,000	\$9,300,000
TOTAL	\$3,103,300,000	\$79,200,000

Source: <http://www.valottery.com/historyw.htm>

Policy makers, however, should use caution in planning education budgets dependent upon lottery proceeds. It is the most regressive of all *taxes* and its annual income is not reliable. It permits the state to ignore implementing a less regressive and less volatile revenue source.

#### Current Status of The Literary Fund

Throughout the 1990s localities pleaded their case for the Commonwealth to provide direct state funds for local school building projects. In 1996, the General Assembly recognized that efforts must be made by the state to identify capital project needs for the future. That year the State Committee on Educational Infrastructure was established to evaluate school infrastructure needs and project the funds needed for school construction and renovation in the

---

<sup>55</sup> Ibid.

future. Ultimately, this Commission identified \$8.2 billion in needed school construction projects for the FY 1997 to 2002.<sup>56</sup>

The practice of diverting Literary Fund revenue away from its traditional use for capital construction continues to be debated by state senators and delegates. Many members of the General Assembly are opposed to diversions of Literary Fund revenues and have issued resolutions calling for an end to the practice. The House Joint Resolution No. 662 was agreed to on February 2, 1997, and specifically addressed the effect that the fiscal crisis of the early 1990s had on the Literary Fund and on capital projects throughout the Commonwealth. Furthermore, the General Assembly members asked for restraint to be observed in relation to its uses:

Resolved by the House of Delegates, the Senate concurring, that it is the sense of the General Assembly of Virginia that great restraint must be exercised in using the Literary Fund moneys for school purposes other than construction and other capital projects.<sup>57</sup>

The Senate Joint Resolution, agreed to on February 4, 1997, directed the Commission on Educational Infrastructure to examine the integrity of the revenues of the Literary Fund.

Specifically, the Commission was requested to evaluate:

(i) Any mechanisms available to restore the Literary Fund lending capacity to that which would have existed but for the large diversions in the state budgets during the early 1990s; (ii) the appropriateness of the various civil penalties whether state or local, and where such civil penalties are deposited; (iii) if feasible, how the various local civil penalties are used; (iv) the scope of local ordinances establishing parallel systems of violations; and (v) whether any limitations or revisions should be recommended for civil penalties or parallel ordinances.<sup>58</sup>

These Resolutions reflect the serious concern that lawmakers possess at this time in regard to the building needs of Virginia's school divisions as well as their desire to see the Literary Fund used solely for capital outlay purposes. However, to date there have been no laws passed by the General Assembly that would bar this practice from continuing. The full text accounts of these two resolutions are found in Appendix C.

The Literary Fund has been utilized by Virginia's public schools for a variety of purposes over the last two centuries. As we move into the twenty-first century policy makers and public education supporters have curtailed successfully the diversion of its revenue for purposes other

---

<sup>56</sup> VEA, "Statement on Education Funding", p. 5.

<sup>57</sup> *Acts of Virginia Assembly*, House Joint Resolution No. 662, February 4, 1997, p. 3157.

<sup>58</sup> *Ibid.*, Senate Joint Resolution No. 318, February 4, 1997, p. 3338.

than the building and maintenance of public school facilities. As of June 1997, the Literary Fund principal totaled approximately \$414 million.<sup>59</sup> Over the 1998-00 biennium, approximately \$123 million was available for direct Literary Fund loans for public school construction with an additional \$20 million available for interest rate subsidy program.<sup>60</sup> The amount set aside for VRS was only \$7.8 million for FY 1999, and no Literary Fund revenue was used to supplement VRS for FY 2000.<sup>61</sup> Current regulations governing Literary Fund loans established by the General Assembly and the Board of Education are as follows:

- (1) The maximum loan amount available for a single project is \$7.5 million.
- (2) The minimum loan amount is \$50,000.
- (3) The majority of loans are for 20 years.
- (4) The interest rate is based on the school division's composite index of local ability to pay.

Composite Index	Interest Rate
Below .2999	2 %
Between .3 and .3999	3 %
Between .4 and .4999	4 %
Between .5 and .5999	5 %
Between .6 and above	6 %

(5) The maximum indebtedness to the Literary Fund is \$20 million in order for projects to be eligible for the First Priority Waiting List.<sup>62</sup>

The public school facility needs for the Commonwealth of Virginia has been documented to be of staggering proportions for the future which prompted policy makers to seek several mechanisms to meet these demands. However, public school supporters can feel confident that Literary Fund revenue will be used primarily to fund traditional capital construction in the Commonwealth and that the practice of diverting revenue to serve other purposes has been curtailed.

---

<sup>59</sup> Ronald L. Tillett, Secretary of Finance, *The States Role in Financing Education in Virginia*, August 4, 1998, p. 25.

<sup>60</sup> Ibid.

<sup>61</sup> Ibid. The Virginia Retirement System members include employees from many different occupations including members of the General Assembly, public school boards, local government, state police, and teachers.

<sup>62</sup> Paul Stapleton, Superintendent's Memo No. 103, (Informational), July 17, 1998.

## Summary

The need for new public school facilities in the Commonwealth of Virginia brought about changes in legislation in the early 1960s. The General Assembly, in 1962, passed legislation establishing the Virginia Public School Authority (VPSA) whose purpose is to provide loans for public school construction. The VPSA provides financing to local school divisions through the sale of bonds and it purchases bonds from localities at lower rates than may be available on the open market. The revenue of VPSA is derived from the Literary Fund, and can transfer funds in excess of \$80 million annually for its use. Localities benefit greatly from the VPSA because it provides low interest loans for building construction when Literary Fund revenue is depleted.

A state constitutional revision of 1971 promised that the Commonwealth would “seek to ensure ... a high quality education” and significantly affected public school funding. The 1971 Constitution also stipulated that “Standards of Quality for the several school divisions should be determined from time to time by the General Assembly.” In 1972, Governor Linwood Holton appointed a task force and this task force established a *foundation cost* or a guaranteed minimum per unit amount below which no school division can fall. The Task force also suggested a local composite index be assigned to each school division in order to determine the amount of state funds that each division would receive as well as setting a minimum required expenditure level for each local school division. Those school divisions with a lower local composite index would receive more financial assistance from the Commonwealth to fund their education budget. The true property valuation of real and public service corporations, personal income, and taxable retail sales receipts was used initially to determine the indexing for the several local school divisions. In 1984, at the urging of then State School Superintendent S. John Davis, state regulations were changed whereby a school division’s composite index would determine the interest rate it would pay for a Literary Fund loan. School divisions with low composite indices benefited from this change because they are charged a lower interest rate.

During the 1980s the total amount of revenue available from the Literary Fund for building and maintaining Virginia’s public schools was greatly reduced. This has occurred because state budget shortfalls resulted in the diversion of Literary Fund revenue to shore up the state General Fund. Specifically, millions of dollars have been transferred from the Literary Fund to fund the state share of the VRS. These transfers totaled approximately \$770 million dollars

from 1980 to 1998 while funding for new school construction was often frozen. During the early 1990s, from 1991 to 1994, there were no direct loans released for school construction projects.

Literary Fund revenue also has been utilized by the Commonwealth for other reasons in recent years. In 1988 an initiative was begun which allocated Literary Fund revenue to purchase computers and related technology for school divisions. In 1989 the General Assembly authorized a program of *interest rate subsidies* for school construction needs. The interest rate subsidy program utilizes revenue from the Virginia Public School Authority and *buys down* the local issuer's debt service through a subsidy whereby local school divisions have to expend more than they would have had to repaid for a direct Literary Fund loan.

In 1991 the Code of Virginia was amended to allow the Virginia Board of Education to make loans from the Literary Fund for the purpose of equipping school busses for alternative fuel conversions. The Board was also authorized to use the Literary Fund to make loans for purchasing and installing educational technology and infrastructure in 1997.

All of these funding initiatives were deemed necessary, but because they were funded through the Literary Fund less money was available for public traditional capital construction projects. In 1996 the State Committee on Educational Infrastructure identified \$8.2 billion in needed school construction projects for FY 1997 to 2002.

One positive factor that has affected the Literary Fund in the 1990s is transfers from the Virginia Lottery. By law, unclaimed prizes of the Virginia Lottery revert to the Literary Fund. Since the Lottery began in 1988, \$79.3 million has been transferred from these unclaimed prizes to the Literary Fund and has helped offset the many new funding initiatives.

As the twentieth century ended policymakers and supporters of public schools have made concerted efforts to provide more revenue for capital outlay projects in the Commonwealth. One success has been the curtailment of revenue transfers from the Literary fund to the Virginia Retirement Program. This measure, along with other initiatives, hopefully will provide increased funding for the unmet school construction projects. The Literary Fund continues to be a crucial component for the building and maintenance of Virginia's public schools.

## Chapter 7

### INTERVIEW ANALYSIS

In order to furnish an in-depth understanding of the current role the Literary Fund performs in providing financial assistance to Virginia's public schools, it was desirable to obtain first hand information from some individuals who have helped administer the program. This was accomplished through an interview protocol.

Interview subjects were sought out in this study to help analyze the effectiveness of the Literary Fund in the past and give insight to its future possibilities as a funding source for Virginia's public schools. Each person was chosen because of his/her knowledge and related experience relative to public education funding as it pertains to the Literary Fund. The choices were made in collaboration with noted public school finance expert and committee chairman, Richard Salmon. The four interview subjects were: Mr. Ralph Shotwell; Ms. June Eanes; Ms. Kathy Kitchen; and Dr. S. John Davis. Following is a brief biographical sketch of each interviewee.

Mr. Ralph J. Shotwell is presently Director of Finance, Research, and Retirement Services for the Virginia Education Association. He joined the VEA staff in 1966, serving as Associate Director of Field Services for two years in the Richmond Headquarters Office. He served from 1968-1973 as Director of the VEA Western Regional Office with headquarters in Roanoke, Virginia. Since becoming Director of the Division in 1973, he has focused on building a statewide educational database, increasing state funding for K-12 education, and improving the state retirement system. Prior to joining the VEA staff, he had been a teacher and elementary Principal in Bedford County for four years.

Kathryn S. Kitchen is currently the Assistant Superintendent of Business and Finance for the Chesterfield County Public School System. In this capacity Ms. Kitchen's duties include directing the operation of the Departments of Transportation, Food Service, New Construction, and Information Systems, as well as the Business and Finance Department.

Prior to assuming these responsibilities in 1997, Ms. Kitchen worked for the Virginia Department of Education for fourteen years. From 1990-1997 she was Division Chief of Finance for the Commonwealth and her duties included the administration of the Literary Fund. In addition, Ms Kitchen was in charge of planning, developing, operating, and assessing a constant

program of flexible budget control administering liaison services to the Virginia Public School Authority.

At the time that these interviews were conducted Ms. June Eanes was serving as Budget Director at the Virginia Department of Education. Ms. Eanes assumed this position, which Kathy Kitchen had previously held, when Ms. Kitchen left the Department in 1997. Ms. Eanes' duties include the management of the Literary Fund. It is her responsibility to make sure that projects are funded as funds become available and to inform the Board of Education of the on-going status of Literary Fund revenue.

Dr. S. John Davis was Virginia State Superintendent of Public Instruction from 1980-1990 and served as Division Superintendent for Fairfax County, Virginia. As Division Superintendent he was responsible for the public school building program for the largest school division in Virginia. As State Superintendent, he was influential in providing funding for public school construction throughout the entire Commonwealth. Through the office of State Superintendent, Dr. Davis sought revenues to assist the poorer school divisions in the Commonwealth. He was successful in helping orchestrate a reduction in the interest rates that poor localities were charged for Literary Fund loans. Dr. Davis is now retired, but continues to remain active in education matters as an education consultant throughout the Commonwealth and other neighboring states.

Each person was asked eight questions along with several probes. The questions were formulated in collaboration with Patrick Carlton, historical researcher and professor at Virginia Polytechnic Institute and State University at the time that the study began. All questions were designed to correlate with the research questions pertinent to this study. These questions were:

- (1) Would you describe your knowledge of the Literary Fund as it pertains to public school funding in the Commonwealth of Virginia?
- (2) Would you identify what you consider to be the critical events in the development of the Literary Fund?
- (3) Will you describe your specific role in the utilization of the Literary Fund, both past and present?
- (4) How have you been directly involved with bringing about changes in how the Literary Fund revenue has been appropriated?



- (5) What is your vision about how the Literary Fund can best be utilized in public education?
- (6) What do you consider to be the main challenges that the Literary Fund faces?
- (7) How do you see the Literary Fund affecting public education in the Commonwealth of Virginia?
- (8) Is there anything else you would like to add that will help me analyze the effectiveness and future considerations of the Literary Fund?

After conducting these interviews it became apparent that there were certain commonalities that surfaced in the responses of the interview subjects. There occurred consistent themes to answers of the questions that were asked relative to: the main challenges facing the Literary Fund in the future; the vision for the Literary Fund; and how the Literary Fund may affect funding for public education in the future.

All respondents gave similar answers to the question: What do you consider to be the main challenges facing the Literary Fund? Ms. Eanes responded that getting the waiting list for Literary Fund loans for the purpose of school construction down to zero was the main challenge. She further stated that the list is growing daily and the revenue is “just not enough to cover everything.”

Dr. Davis responded that new construction is a main challenge but also pointed out that some of the existing buildings in Virginia are not adequate for today’s education needs and do not meet the requirements for serving physically challenged students. Dr. Davis also challenges the issue of very old buildings and their safety factor. Therefore, new construction, modernization, and renovation of existing buildings are main challenges for funding through the Literary Fund.

Kathy Kitchen added another challenge to the list facing the Literary Fund, a political challenge. Ms. Kitchen believes the Literary Fund should be left alone to provide for public school construction funding. She feels that it should be available for the school divisions that must rely on it; those that find it difficult to use bond referendums to finance school construction. However, politicians have made a practice of diverting revenue out of the Fund for other purposes which lessens the amount that is available for capital construction.

Ralph Shotwell sees the main challenge of the Literary Fund as being its ability to fund the capital outlay needs of the Commonwealth. He references the many diversions of the Literary

Fund over the last seven years as “creating major problems that are going to take some time to recover from.” He specifically refers to the revenue that has been transferred to the Virginia Retirement System which in essence put a freeze on new construction loans for the Literary Fund for three and one half years (1991-1994).

When the interview subjects were asked about their vision for how the Literary Fund could best be utilized in the future, three out of the four gave responses. These answers centered on the inability of the Literary Fund to meet capital outlay needs of the Commonwealth.

Ms. Kitchen responded that even if the Literary Fund were left alone, it could not satisfy the growing demand and the backlog of construction needs in the Commonwealth of Virginia. She also remarked that perhaps the number of divisions that participates in obtaining loans from the Literary Fund should be limited. If only divisions who had indices below .4 were allowed to apply for loans, then the revenue would go further for these poorer localities.

Mr. Shotwell also sees the Literary Fund continuing to be an important revenue source for low interest loans particularly to the low capacity school districts in Virginia. He does not foresee that the Literary Fund can generate enough money to meet the backlog of construction needs in the Commonwealth considering the need for renovation, maintenance, and technology. He remarked that it will take a combination of funds, along with the Literary Fund, to meet Virginia’s capital outlay needs.

Dr. Davis’ vision for the Literary Fund is that it would be designated for school construction only. He is particularly concerned about the renovation needs of school buildings and the difficulty in bringing older facilities into compliance with safety issues and ADA demands. He recognizes the need for alternative funding sources, other than the Literary Fund, to pay for the backlog of capital construction projects that the local school divisions need.

The interviewees predict that the Literary Fund will continue to be a viable source of income for education purposes in the Commonwealth. Although the Literary Fund is not growing in large increments, it does accrue a constant amount of revenue on an annual basis. All agree that in order to make substantial improvements in lowering the number of projects on the waiting list for capital school construction funding, other sources of revenue must be used. The respondents concur that in order for headway to be made in the funding of capital outlay in the Commonwealth, the Literary Fund revenue must be dedicated solely to that purpose.

Consensus was determined from the analysis of the four interviews conducted for this study of the Literary Fund of Virginia.

- 1) Revenue from the Literary Fund should not be diverted for other uses other than for public school construction and renovation.
- 2) The main challenge of the Literary Fund is to provide adequate funding for new school construction and renovation and modernization of existing school buildings in the Commonwealth.
- 3) The diversion of Literary Fund revenue has contributed to a huge backlog of capital construction projects in Virginia's public school system.
- 4) Because of this backlog, other revenue sources must be utilized to fund the capital outlay needs of the Commonwealth.
- 5) Attempts should be made to allow the Literary Fund to provide more support through funding to the lower capacity school divisions in the state.
- 6) The Literary Fund is not an adequate source for the funding of the capital outlay needs for Virginia's public schools.

## Chapter 8

### SUMMARY, CONCLUSIONS, AND RECOMMENDATIONS

This chapter presents: a summary of the purposes of this study and the procedures utilized to prepare it; the conclusions reached and a list of findings; and recommendations for the Commonwealth of Virginia and for further study.

#### Summary

##### Purpose of Study

The purpose of this study was to present an historical analysis of the function of the Literary Fund of Virginia as it pertains to public school funding. This analysis has attempted to determine in which areas of public school funding the Literary Fund has provided financial support, how the funding has changed over the years, and what areas of education the Fund may support in the future. The primary emphasis of the study is the time period 1810 through 2000, or from its inception to the present. Interviews were conducted with four key individuals who are knowledgeable about the Literary Fund in order to gain insight on how the Literary Fund may be utilized in the future.

Financial support for public education developed slowly in the Commonwealth of Virginia. Examined in Chapter 2 are the early efforts to provide universal education to children in Virginia prior to 1810. The means to attain this goal were debated vigorously by colonial citizens and the attempts to educate all children were varied and not universally accepted throughout Virginia. This infertile background, nevertheless, gave rise to the first state support of public education in the form of the Literary Fund.

##### Research Procedures

The historical method of research was used to conduct this study in which primary source documents were examined and analyzed whenever possible. Primary data sources that proved most helpful were the *Virginia School Reports*, *The Annual Reports of the Superintendent of Public Instruction*, and memoranda from the State Superintendent of Public Instruction. Various *Minute Books* of the Literary Fund beginning with the first year, 1811, were examined and their data recorded. In addition, the *Acts of the Virginia Assembly* provided information and legislative opinions in the form of various resolutions that were passed pursuant to the Literary Fund.

Various libraries provided the historical information that was needed in this research project. They included: The Library of Virginia; college and university libraries of Virginia Polytechnic Institute and State University, The University of Virginia, Radford University, Emory and Henry College, Virginia Intermont College, and East Tennessee State University; the law library in Abingdon, Virginia; and the Virginia Department of Education Library.

Interview subjects were sought for the purpose of obtaining both historical and current information pertinent to the Literary Fund and to provide insight to its future as a funding source for Virginia's public schools. These interview subjects included a former Virginia Superintendent of Public Instruction, two school finance officers with the Virginia Department of Education, and the Director of Finance, Research, and Retirement Services for the Virginia Education Association. Their candid remarks, insights, and vision relating to public education were most helpful in the analysis of the effectiveness and long term potential of the Literary Fund. Their interviews were analyzed to ascertain what commonalities occurred in their responses to the structured questions contained in the protocol.

The writings of educational historians were researched in order to trace the efforts made by several prominent policymakers to provide universal education for Virginia youth prior to 1810. William Maddox, Cornelius Heatwole, Paul Monroe, J.L. Blair Buck, Edgar Knight, John D. Pulliam and Sadie Bell were most valuable for developing an understanding of the economic, social, and political conditions that existed in the Commonwealth during the Colonial Era.

### Findings and Conclusions

This historical study of the Literary Fund was divided into four timespans; 1810-1870, 1871-1900, 1901-1960, 1961-2000. The years 1810 to 1870 were covered in Chapter 3. This chapter chronicles the establishment of the Fund and its early years of development and concludes with the years immediately following the Civil War, which marked a period in which the revenue of the Literary Fund was suspended from use as a public school funding source. Chapter 4 is entitled the Legislative Period of Free Education and encompasses a thirty-year time span. The years, 1871-1900, saw a new post-war constitution established which established an organizational structure by which universal education was made compulsory. The contributions of State Superintendent William Ruffner during this period were particularly important to the free public school movement. Chapter 5, the Reactionary Period, was so titled because of the

many social and political events that came together to affect the Literary Fund. This chapter began with the year 1901, which saw discussion of establishing another new state constitution, and ended in 1960. The 1902 constitution that was passed added more stringent educational provisions and in 1906, the Literary Fund was transformed from a general educational fund to a revenue source for school facility construction.

The modern era of public education, 1961-2000, is presented in Chapter 6. The Virginia Public School Authority was established during the first year of this period, a more prominent funding source for public school construction. This was very important because the need for public school facilities and renovation has become an almost insurmountable problem. The Commonwealth has sought various methods to fund its building needs in modern times while the Literary Fund revenue has been channeled elsewhere. The General Assembly ultimately recognized that efforts must be made to provide state aid for the numerous projects that facility studies have identified as being essential.

The major research questions central to this study were: How has the Literary Fund addressed the funding needs of the Virginia public schools? What significant changes have occurred in the apportionment of Literary Fund revenue? and What are the future trends of the Literary Fund? The following findings were determined from the research:

1. Historically, the funding of public schools in Virginia has been mainly a local responsibility. A major change in this application occurred in 1810 with the establishment of the Literary Fund. It became the first means of state support for education in the Commonwealth.
2. During the almost two hundred years of its existence, the Literary Fund has been utilized as a funding source for public schools in three major capacities. These are: (a) to provide for the education of the poor...those children whose parents or guardians could not afford to pay for their education (1810 to 1870); (b) to provide low interest loans to the localities of Virginia for the purpose of constructing school facilities (1906 to 2000); and (c) to be used as a *discretionary fund* for other needs in the Commonwealth such as balancing the State General Fund, financing educational technology needs of the state, and financing bond sales of the Virginia Public School Authority (1810 to 2000).

3. The success of the Literary Fund as a funding source for free public schools in the Commonwealth has been hampered throughout its existence by the diversion of its funds for other purposes. Politicians and legislators have been successful in using revenue from the Literary Fund for many varied purposes. Over the years the Literary Fund has been used for providing revenue to colleges, libraries, the Virginia School for the Deaf and Blind, financing the Civil War, equipping schools busses for alternative fuels, providing technology equipment and training in schools, and helping finance the Virginia Supplemental Retirement System, later the Virginia Retirement System. Obviously these diversions have inhibited the effectiveness of the Literary Fund.
4. The sources of revenue for the Literary Fund have remained constant throughout its history. Thus, there is a consistent flow of money into the Literary Fund, albeit this has been and continues to be insufficient to meet the demand for school construction. The only major addition to its revenue source has come from the unclaimed prizes of the Virginia Lottery. There are no current plans to designate any other sources or to create any new taxes for the purpose of enlarging Literary Fund revenue.

#### Recommendations

A review of the findings of the study suggest the following recommendations:

1. The Literary Fund should be an independent fund whose major purpose is to finance public school construction needs in Virginia. Building needs surveys in the Commonwealth have identified \$8.2 billion in needed school construction projects in the next five years. The waiting list for Literary Funds to aid in this construction is over eighteen months. The state should allocate additional funds to localities for the purpose of assisting the Literary Fund in providing the revenue for these projects.
2. More affluent localities can borrow money from other sources at near the same rate as they can from the Literary Fund. Because of this, the Literary Fund could be set aside to be used by only the poorest school divisions or those with a composite index of .4 or lower. This would aid in reducing the waiting list for loans to these localities.

3. The interest rate charged for loans of the Literary Fund should be reduced to below two percent for the poorest school divisions (those with a composite index of .4 and lower).
4. Due to the increased cost of building construction the maximum individual loan from the Literary Fund should be increased from its current cap of \$7.5 million. The maximum individual loan should be set to at least \$10 million.
5. As recommended by former Virginia State Superintendent of Public Instruction, S. John Davis, in an interview by author, the state should provide additional personnel to aid local school divisions in their planning to fund the construction and renovation of public school facilities throughout the Commonwealth.
6. As state revenues increase and become available to local school divisions, the state should increase its commitment to fund the school construction needs of lower capacity divisions by forgiving Literary Fund loans that are currently being repaid by those localities.
7. While S. John Davis deserves immense credit for setting up a sliding scale which permits low capacity divisions to repay their loans at a much lower rate, an improvement to the sliding scale could be made by adjusting the interest rates in a linear manner. Thus, school divisions caught near this line would not have to pay either a 1 percent higher or lower rate during the retirement of debt.
8. The Commonwealth of Virginia should embark on a long term effort to establish a fund that would provide substantial resources for new construction, renovation of existing facilities and retirement of debt. The provision of school facilities is not just a local responsibility, but it rightfully is a state and local responsibility.



## BIBLIOGRAPHY

### BOOKS

- Alexander, Kern, and Richard Salmon. *Public School Finance*. Needham Heights, Mass.: Allyn & Bacon, 1995.
- Barr, W. Monfort, and William R. Wilkerson. *Innovative Financing of Public School Facilities*. Danville, Ill.: Interstate Printers & Publishers, Inc., 1973.
- Bell, Sadie. *The Church, The State, and Education in Virginia*. New York: Arno Press & New York Times, 1969.
- Blinderman, Abraham. *American Writers on Education After 1865*. Boston, Massachusetts: G.K. Hall & Company, 1976.
- Buck, J. L. Blair. *The Development of Public Schools in Virginia – 1607 – 1952*, vol. 35, no. 1. Richmond, Va.: State Board of Education 1952.
- Dabney, Charles William. *Universal Education in the South*, vol. 1. Chapel Hill, N.C.: University of North Carolina Press, 1936.
- Ford, Paul L. *The Works of Thomas Jefferson*. New York: G.P. Putnam & Sons, 1904.
- Heatwole, Cornelius J. *A History of Education in Virginia*. New York: Macmillan Co., 1916.
- Hening, William Waller. *Hening's Statutes: Laws of Virginia, 1619-1660* Vol.1. Philadelphia: Thomas Desilver, 1823.
- Hening, William Waller. *Hening's Statutes: Laws of Virginia*, Vol. 3. New York: R. & W. & G. Bartow, 1827.
- Honeywell, Roy J. *The Educational Works of Thomas Jefferson*. Cambridge, Massachusetts: Harvard University Press, 1931.
- Johns, Roe L. et. al. *Financing Education, Fiscal and Legal Alternatives*. Columbus, Ohio: Charles E. Merrill Publishing Company, 1972.
- Knight, Edgar W. and Clifton L. Hall. *Readings in American Education History*. New York: Appleton-Century-Crofts Inc., 1951.
- Knight, Edgar W. *A Documentary History of Education in the South Before 1860*, Vol. 5. Chapel Hill, N.C.: University of North Carolina, 1953.

Lichtman, Allen J. and Valerie French. *Historians and the Living Past*. Arlington Heights, Ill.: AHM Publishing Company, 1978.

Maddox, William Arthur. *The Free School Idea in Virginia Before the Civil War*. New York: Teacher's College, Columbia University, 1918.

Monroe, Paul. *Brief Course in the History of Education*. New York: McMillan Co., 1914.

Pulliam, John D. *History of American Education*, 4<sup>th</sup> edition. Columbus, Ohio: Charles E. Merrill Publishing Company, 1987.

Salmon, Emily J. & Edward D.C. Campbell Jr. *The Hornbook of Virginia History*, 4<sup>th</sup> edition. Richmond: Library of Virginia, 1994.

Thayer, V.T. *Formative Ideas in American Education*. New York: Dodd, Meade & Company Inc., 1965.

Wells. Guy Fred. *Parish Education in Colonial Virginia*. New York: Teacher's College, Columbia University, 1823.

West, Sue Roberson. *Buckingham Female College, A Documentary History*. Charlotte, N.C.: Delmar Printing, 1990.

#### LEGAL CASES

*Brown v. the Board of Education of Topeka*, 347 U.S. 483 p. 873, 74 S.Ct. 686 (1954).

*Plessy v. Ferguson*, 163 U.S. 537, 16 S.Ct. 1138; 41 L. Ed. 256 (1896).

#### LEGAL DOCUMENTS

*Acts of the General Assembly of the Commonwealth of Virginia*. February 12, 1811; February 21, 1818; February 25, 1829; February 28, 1829; 1846; 1881-1882; 1906; 1908; 1914; 1936; 1938; 1950; 1962; 1977; 1980; 1988; 1991; 1994; House Joint Resolution No. 662, February 4, 1997; Senate Joint Resolution no. 318, February 12, 1997; 1997; 1998.

*Constitution of Virginia*. 1869; 1944; 1971; 1991;

The Michie Company. *Code of Virginia*, secs. 22.1-125; 22.1-147; 22.1-164; 22.1-168; 22.1-170.

Virginia General Assembly. *House Journal*. February 2, 1810; 1816; Document 1, January 1, 1838; Document 1, January 7, 1839; 1877-1878; 1879-1880; Document 3, 1910; 1914; 1934; 1950.

Virginia General Assembly. *Senate Journal*. 1870-1871; Document xviii, 1872-1873; 1877-1878; 1908; 1947; 1950; 1962; 1971.

#### PERIODICALS

Eggleston, J.D. "History of the Williams Building Act." *The Virginia Journal of Education*, (March 1, 1917): p. 311

"Literary Fund has Lost 3,000,000." *The Virginia Journal of Education*, vol. xxxvi, no. 9 (May, 1993) : p. 347.

#### MISCELLANEOUS

Connock, Stuart W., Director of Department of Planning and Budget, to Bayes E. Wilson, Superintendent of Roanoke County Schools, February 18, 1983.  
Letter concerning diversion of Literary Funds and freeze of Literary Fund loans.

Davis, S. John, Retired Virginia Superintendent of Public Instruction. Interview by Author, March 9, 2000. Chesterfield, Virginia.

Eanes, June, Budget Director, Virginia Department of Education. Interview by author, March 9, 2000. Chesterfield, Virginia.

Kitchen, Kathy, Assistant Superintendent, Chesterfield County Public Schools. Interview by author, March 9, 2000. Chesterfield, Virginia.

Shotwell, Ralph, Director of Finance, Research, and Retirement Services, Virginia Education Association. Interview by author, August 3, 2000. Richmond, Virginia.

Tyler, John. "Annual Message of the Governor of the Commonwealth." *Senate Journal*, 1809.

Wilson, Bayes E. "A Study of the Financing of Public School Capital Facilities in the Commonwealth of Virginia." Ed.D. diss., Virginia Polytechnic Institute and State University, 1988.

## TECHNICAL PUBLICATIONS

- Annual Report of Superintendent of Public Instruction.* 1930-31, 1938-39, 1939-40, 1949-50, 1951-52, 1952-53, 1953-54, 1954-55, 1955-56, 1956-57, 1957-58, 1958-59, 1959-60, 1962-63, 1963-64, 1964-65, 1965-66, 1966-67, 1967-68, 1968-69, 1969-70, 1980-81, 1981-82, 1982-83, 1983-84, 1984-85, 1985-86, 1986-87, 1987-88, 1988-89, 1989-90, 1991-92, 1992-93, 1993-94, 1994-95.
- Barnes, Hunter L., Architectural Consultant, Division of Support Services, Department of Education. Memo to Division Superintendents, November 2, 2000.
- Blount, David. "Capital Funding: Facilities and Technology". CEPI , 2000.
- Davis, S. John, Virginia Superintendent of Public Instruction. Superintendent's Memo no. 26, (Informational), February 4, 1987.
- Kitchen, Kathy, Budget Director, Virginia Department of Education. "Report on the Literary Fund." January, 1997.
- Literary Fund. *Minute Book* (1811), no. 1.
- Literary Fund. *Minute Book C.* (1861).
- Stapleton, Paul, Virginia State Superintendent of Public Instruction. Superintendent's Memo no. 103, (Informational), July 17, 1998
- Tillett, Ronald L., Secretary of Finance. "The State's Role in Financing Education in Virginia," August 4, 1998.
- VEA, "Statement on Education Funding." Presented at the Public Hearing of the Commission to Study Virginia's State and Local Tax Structure for the Twenty First Century, April 27, 2000.
- VEA, Research Services, November, 1998.
- VPSA. "Notes to the Financial Statements," June 30, 1999.
- Virginia Board of Education. *Minutes*, Vol. 51, January 25, 1980; Vol. 53, July 29, 1982; Vol. 54, December 9, 1983; Vol. 59, March 30, 1988.
- Virginia Board of Education. "Regulations Governing Literary Loan Applications in Virginia," Part VIII, Section 7.2, 1998.
- Virginia School Report. 1871; 1875-76; 1876-77; 1879; 1880; 1885; 1888; 1890; 1895; 1898-99; 1900; 1901-03; 1903-05; 1905-07; 1927-30; 1940-41.

## ELECTRONIC SOURCES

<http://www.valottery.com/historyw.htm>

<http://www.trs.state.va.us/textfiles/VPSAhome.htm>

## APPENDIX A

Dr. S. John Davis, Interview  
March 9, 2000  
Chesterfield, Virginia

Mr. Mullins: Dr. Davis, We'll begin. I'll ask you questions, and we will just go from one to the other. At the end, we'll finish up with any kind of other comments that you have. I may have some follow-up questions too. First off, if you would, please describe your knowledge of the Literary Fund as it pertains to public school funding in the Commonwealth of Virginia.

Dr. Davis: Having served as Superintendent in Fairfax County and as the State Superintendent of Public Instruction, I have had the responsibility for obtaining funds for construction of schools, as you know. Fairfax is growing considerably, and we were building many, many new schools and renovating the old schools so we had the need for many Literary funds. At the state level, I had the responsibility there of course, for the administration of that program, and it was handled in the Department of Finance by Mike Cale who was the Assistant Superintendent for Finance and Kathy Kitchen. You've already discussed this with Kathy. So, although my knowledge of the Literary Fund is first hand, my administration of it would have been second hand.

Mr. Mullins: Would you identify what you consider the critical events in the development of the Literary Fund?

Dr. Davis: As I saw it, I felt it was not fair to those school divisions who had lower composite indices to be paying a 6% interest rate. At that time, we moved it to more of a sliding scale with, as I recall, 3% would apply to those school systems with low composite indices and 6% to those who were able to pay for the construction and the Literary Fund interest percentages. I understand that has now been lowered to 2%. I would suggest and I think that I will follow up on this conference and talk with several members of the General Assembly, it seems to me that it might be to the advantage of the school systems in Virginia to even reduce that more, especially for those school divisions with a low composite index down to even less than 2%. I feel quite

strongly about that if the Literary Fund is going to be helpful to those school systems. That would be number one. Another critical event I think would be to cause the literary fund to be independent and those funds not be used for anything other than school construction.

Mr. Mullins: Please describe your specific role in the utilization of the Literary Fund. You may have already done that with question 1, but as far as a follow up to that.

Dr. Davis: I think I have. My interest was, and I have to be honest, my interest all along has been to help the school divisions with the lower ability to pay. Throughout my career at the State Department and of course as Superintendent in Fairfax County, I was simply interested in making certain we had sufficient funds to build those schools we had to build every year.

Mr. Mullins: I will just ask this as a follow-up question. Did you find at Fairfax County when you were Superintendent, because your index was probably one of the highest in the state; did you utilize the Literary Fund say as much as someone in Southwest Virginia would have?

Dr. Davis: First of all, our composite index was not the highest in the state. As a matter of fact, there are five or six higher; another thing that we did, we put a cap on the composite index. There are some that have a composite index at 1.10 in their ability to pay, and so we put a cap at .80. I'm not aware if that's still in existence or not. Fairfax County was about .75, so there were five or six that had higher composite indices than Fairfax. But, yes we did, we used Literary funds of the Virginia Public School Authority, what we call bans, bond anticipation notes. We went to voters for bond referendum voting. So we used just about everything we could possibly come up with, in Fairfax that was. I was there for almost ten years as Superintendent, and we built I believe four high schools in that period of time, middle schools, and many, many elementary schools.

Mr. Mullins: Question Four, How have you been directly involved in bringing about changes in how the Literary Fund money has been appropriated? Once again, we may have covered this, but specifically about changing in the appropriation of the funds.

Dr. Davis: I guess the most direct involvement that I had would have been reducing the percentages and also trying as much as possible to protect the Literary Fund monies that are available for school construction for school systems to use.

Mr. Mullins: While you were State Superintendent, were appropriations from the Literary Fund used primarily for public school construction?

Dr. Davis: Yes, we worked very closely with the General Assembly and the Governor to avoid using those funds for other purposes.

Mr. Mullins: What is your vision about how the Literary Fund could best be utilized in public education?

Dr. Davis: Well, as I've indicated, I would hope that it would be designated for school construction only. There are other sources for the kinds of funds that have been drained from the Literary Fund, so I would hope they would be independent. If they can't accommodate the new construction and renovation needs of the public schools in Virginia, I would hope that the General Assembly would take a look at the alternative ways of funding and lock them in so the school systems could count on these funds being available each year. Certainly, the amount would have to be increased. We seem to be concerned about highways, and I understand that, but we also need to be concerned about some of the buildings in which our youngsters are being taught.

As you know, we do building surveys for school districts. The Department used to do that. I'm not sure they do it anymore. But, we'll go into a school division and review the buildings and walk through the buildings with architects, engineers, safety people and others. We'll find any number of buildings in the Commonwealth that really should be renovated and maybe even should be replaced, buildings that were built in 1910, 1915, and have had some renovations but certainly are not ADA or in compliance with other requirements, regulations, or other statutes. That bothers me. I would hope that somehow or other the state would come up with support for all construction of schools.



Mr. Mullins: What would you consider the main challenges that the Literary Fund faces?

Dr. Davis: Well, I think that the age and the condition of some of our buildings would be number one. I've seen so many buildings, for example, that are not in compliance. The library stacks should be reduced in height. I've seen some buildings that are not ramped properly. I was in a building the other day, thank goodness it wasn't a Virginia building, it was in another state, and I was taking a tour of the building with the Principal. At either end of the hall were stairs leading down to the cafeteria on one side and to the library on the opposite end. I asked why they weren't ramped or why they didn't have some sort of slide, mechanical slide that would accommodate students. I was told they were ramped outside. Ramping outside does not satisfy the requirements of ADA. You can't send a student outside to come into the building . . . ramped. Since I could not agree with that arrangement, we recommended elevators. I was told of another situation, this wasn't in Virginia, it was in another state, another situation where if they have a physically challenged youngster, they move the class down from a second story. I said I don't think that's a great answer either. You would need another way, some opportunity for challenged kids to be able to get to the second level.

Did you go to high school in Virginia?

Mr. Mullins: Yes, sir.

Dr. Davis: Which high school?

Mr. Mullins: Well, I went to Honaker High School in Russell County.

Dr. Davis: Okay, and how old is it?

Mr. Mullins: It was built probably in the 60's.

Dr. Davis: It's 40 years old at this point. I recall the last time I was there I saw that they had replaced all the windows.

Mr. Mullins: The windows, a new gymnasium, tore part of another building down.

Dr. Davis: It's in pretty good shape.

Mr. Mullins: Yes, it is in fairly good shape.

Dr. Davis: But, I'm sure you've seen some that aren't in very good shape. I think that's the major concern. The major concern, number one, is the existence of very old buildings and not being either safe from the standpoint of fires, from the standpoint of ADA, on and on and on. So that's number one.

Number two then is the new construction, the modernization, and the renovation of the existing buildings. To meet the requirements of curricular changes and improvements, that's where the main challenge is.

Mr. Mullins: The next question: How do you see the Literary Fund affecting public education in the Commonwealth?

Dr. Davis: Another area that I think . . . I've been doing some research on large schools, small schools, and it may sound as though I'm a turncoat, because we were building large schools in Fairfax when I was Superintendent and we had to keep up . . . about the only way we could do it. I'm convinced that schools are constructed to house too many students. If I had to recommend to you as a School Board member, I would suggest that elementary schools be designed to accommodate 400-600 students with central facilities, meaning the office, the clinic, the cafeteria, and so forth, be built for 600 students which allows for future growth. Then I would look at middle schools, maybe 800 to 1,000 students, and high schools 1,000 to 1,300 students. Currently high schools are housing 2000 to 3000 students. I just think that students need an opportunity not only for enhanced instructional programs but also to participate. The high school of 2 or 3,000 students will have limited activities, academic and athletic, and I feel that there are needs for greater student involvement. That's one area that I would suggest for further study- the large/small school argument - it goes in many directions. I would propose that we attempt to reduce the size of our schools.

I feel quite strongly about that. I think also there are some things we could be doing with our schools if, for example, you have a school of 600 and you reduce the size of that school to 400, which is what I would suggest. We could also be housing services for the citizens. One of the most successful efforts that we implemented while I was Superintendent in Fairfax, was housing the building inspectors in our elementary schools. That meant they didn't have to report to the city of Fairfax every morning and then travel to wherever they were assigned. I would suggest housing police officers, health department services and other local government activities that are needed by the citizens. The citizens, if they needed information about voting or about health services, could go to their local schools, and not all the way to a central location.

I think a different look at what we're doing with our buildings may create some need for Literary Funds to renovate or design in order to accommodate additional governmental services for residents.

Mr. Mullins: In talking about the revenue, this question is not on here; this is just kind of a follow up if I might ask you to think about this for a moment. In talking about the revenue that is going into the Literary Fund, do you see perhaps any other way to supplement the Literary Fund? I know it's always been pretty much the same as what goes into it. Has there been any talk about that that you know of as far as maybe ways to get other revenue for it?

Dr. Davis: No, not that I'm aware of. That's why I'm suggesting that the Literary Fund would be either independent or go to another source of funding. Although my memory doesn't serve me too well, I thought we were to assign lottery funds for public education. At this time I don't think that's happened. It seems to me that this is a plan that should be adopted. The lottery funds could be designated for school construction and school renovation only, thus, the lottery funds would be available to supplement the Literary Fund for school construction purposes.

Mr. Mullins: I know there's still quite a waiting list, probably over a year now.

Let me ask the last question, and that is simply is there anything else you'd like to add about the Literary Fund that would help me analyze the effectiveness or future considerations of the fund or anything like that?

Dr. Davis: I would repeat that I do feel it's time to take another look at the percentages charged to local school divisions and I would suggest that the General Assembly may want . . . or the budget office or the Department of Education to look at reducing those percentages and the current interest rates. We've already talked about the need to supplement it and make Literary funds independent of other uses or use the Lottery Fund. I would hope that your study might include recommendations that would include provisions for additional funding, whatever the source. The Department of Education should add sufficient personnel to assist the local Superintendent in planning, funding, and constructing new facilities or renovating existing buildings. I have shared with you several points which I feel must be considered by the leadership at the state and local levels. The young people of the Commonwealth deserve the best --- STATEWIDE! I wish you well.

Mr. Mullins: Dr. Davis, I certainly appreciate your time and your thoughts pertaining to the Literary Fund and public school construction and renovation in the Commonwealth.

June Eanes, Interview (Budget Director, Virginia Department of Education)  
March 9, 2000  
Richmond, Virginia

Mr. Mullins: Ms. Eanes, I'll start by asking you if you would please describe your knowledge of the Literary Fund as it pertains to public school funding in the Commonwealth of Virginia?

Ms. Eanes: Okay. The Literary Fund was set up to help cover construction of school buildings. Each year, revenue goes into the account from funds, . . . there's some money from the VPSA that goes in, transferred there. Each year, we have some obligations we have to cover first, but then we start paying out against projects that have been approved. Each year it's probably varying about \$80-\$90 million I guess that we're sending out against school projects that have been approved.

Mr. Mullins: Do you mean obligations that you have to pay out first that's other than public school construction?

Ms. Eanes: Right, we send out funds through the Virginia Public School Authority. We have to pick up the debt service on that. That comes from Literary funds.

Mr. Mullins: Would you identify for me please what you consider to be critical events in the development of the Literary Fund?

Ms. Eanes: I guess right now school construction is a big issue. A lot of school construction is going on out there. Just having enough money to help cover these projects. Right now we have oh, about \$130 million sitting on the waiting list of projects that need to be funded. It seems like each year that continues to grow. The critical issue is when can we get to the funding of these projects each year.

Mr. Mullins: Do you know exactly what the waiting list might be like now?

Ms. Eanes: It's around \$160 million right now.

Mr. Mullins: Would you project that as a year, two years?

Ms. Eanes: If we tried to cover it all within a certain time frame, it would be probably a year and a half late with those on the list right now at the bottom.

Mr. Mullins: Are those prioritized in any way?

Ms. Eanes: They go on the waiting list when their plans are approved by the Department. School divisions can send in applications and we get them in the works, because they have to be approved by the Attorney General's office, They actually do not get on the waiting list until their plans are approved.

Mr. Mullins: Would you describe your specific role in the utilization of the Literary Fund both past and present?

Ms. Eanes: Okay. I started doing this when Kathy Kitchen left and went to Chesterfield. What I have done basically is just take over trying to manage that, make sure the projects are funded as we have funds available, taking care of Board agenda items so that the Board is aware of what's going on and those for their approval. So, each month we're doing those agenda items as well as watching the revenue and making sure we can fund what we can each time. Sometimes there's not too much there to fund depending on how the revenue comes in.

Mr. Mullins: How have you been directly involved with bringing about changes in how Literary Fund money has been appropriated?

Ms. Eanes: I really haven't.

Mr. Mullins: Can you maybe explain what your vision may be about how we might best utilize the Literary Fund for public education?

Ms. Eanes: Well, I'm not real sure I can give you any vision. I think it's a very important issue to have good school buildings for children to learn. It's a growing problem, I think, as buildings become older in the school divisions. Some of them have been there a long time. Doing renovations and things like that. And of course the cost of construction continues to go up too. I think it's a very important area. I don't know how the revenue is going to continue to come into the Fund or anything like that at this point.

Mr. Mullins: Have you heard any discussion about increasing revenue from other services?

Ms. Eanes: I haven't heard of anything, no.

Mr. Mullins: Do you see that kind of remaining the same with fees and forfeitures?

Ms. Eanes: I would think so, yes.

Mr. Mullins: From everyone I've spoken with, the need for more revenue in that area is obvious.

Ms. Eanes: Yes, very obvious. Whether they'll come up with any other sources or not, it's hard to tell.

Mr. Mullins: What do you consider to be the main challenges that the Literary Fund faces?

Ms. Eanes: Getting that list down to zero. Like I said, it's growing daily. The revenue is coming in, and we're funding as much as we can, but it's just not enough to cover everything.

Mr. Mullins: Is there still plans from the Assembly to siphon money from the Literary Fund into other directions?

Ms. Eanes: There's always that possibility I guess. Right now I don't think they're considering anything at this point. At one time they were, but I think that has kind of died out now. I guess

there's always that possibility when the Assembly meets that they might decide to use it somewhere else.

Mr. Mullins: So there was maybe discussion during this session perhaps?

Ms. Eanes: They had talked at one time about funding technology, but they came up with another funding source.

Mr. Mullins: I think technology has been funded somehow through that in the past, some of the money.

Ms. Eanes: Yes, that's where the debt service comes into play and all the things through VPSA, and the Literary Fund has covered the debt service on that.

Mr. Mullins: How do you see the Literary Fund affecting public education in the Commonwealth of Virginia?

Ms. Eanes: I think it will affect our students probably down the road. If you don't have good buildings, safe buildings, and all, it's kind of hard to learn. I think having safe, convenient, modern type facilities for students will help them to learn. It gives them a little more incentive maybe.

Mr. Mullins: Is the Literary Fund growing or is it pretty much as we know just about what we're going to get each year in the Literary Fund?

Ms. Eanes: We do projections each year, and it's growing a little bit but not to a big extent at this point.

Mr. Mullins: Is there anything else you'd like to add that would help me analyze the effectiveness and future considerations of the Literary Fund?



Ms. Eanes: I can't think of anything. I thought about that one the other day. I can't really think of anything right now.

Mr. Mullins: Well, I certainly appreciate your time, being able to talk about the Literary Fund with you.

Kathy Kitchen, Interview, (Asst. Superintendent, Chesterfield County Public Schools)  
March 9, 2000  
Chesterfield, Virginia

Mr. Mullins: Ms. Kitchen, we will begin and I will ask you to describe your knowledge of the Literary Fund as it pertains to public school funding in the Commonwealth of Virginia.

Ms. Kitchen: I worked in the Department of Education from 1983 until 1997. From 1991 until 1997, I was the Division Chief of Finance. In that role, I was the Administrator for the Literary Fund. From taking applications and processing those to keeping a waiting list, working with the Board of Ed. to ultimately releasing the funds and processing the payment, so it was pretty much all housed right in my office.

Because of that, I worked with the General Assembly on the impact their actions would have on the Literary Fund; worked with the office of the Attorney General who is responsible for helping approve the applications titled to property and that kind of thing. So, for a matter of six to seven years, I did it all as it related to the Literary Fund.

Mr. Mullins: Would you identify what you would consider to be the critical events in the development of the Literary Fund, as we know it?

Ms. Kitchen: That's very complicated. The Fund has been around for a long time, dedicated to public ed. for a long time. At least in the last 30 years or so, it has been for public school construction. Some of the things that have impacted that: when Literary Fund proceeds are used for things other than public school construction, those things being you know pledging those proceeds for payment of future retirement; pledging them for indebtedness on technology notes; the need for technology funding in this state was huge. The way to fix that was to issue notes for the VPSA, and the Literary Fund pays the debt service over five years. You can't do that but so many times, and we've done it about five times now, and again in the budget that's going to be passed we're doing it one more time. So, on the one hand, we're thrilled that we're going to get \$1.5 million in Chesterfield for technology, but that's also a lot of money coming out, and June can give you the exact numbers when you see her. But, I think we're up to probably \$35 million a year. We pay technology notes because we haven't paid off some of the old ones before we

issue new five-year notes, and so you have two, three, or four going at one time. I think they're probably up to about \$30-\$35 million for the proceeds being used to pay technology notes. Some of the other things that I think were critical to the Fund, you know at one time when I first started working with the Fund, the per project distribution was \$2.5 million, that's all you could borrow for a project.

Mr. Mullins: And what year would that have been?

Ms. Kitchen: I know in '91 when I took it over, it was \$2.5 million, and it probably was before that for a while. During my time, it was raised to \$5 million. Now it's \$7.5 million. Of course, I think both the \$5 million and the \$7.5 million were directed by the Assembly. The Board goes back and puts it in its regs so that the regs are consistent, but the General Assembly said you should raise the cap to \$7.5 million so you do. I mean, they're the authority, so you have that, which means the waiting list just gets longer. On the other side, they limited the amount of debt that any one locality could have to the Fund at any one time to \$20 million. That's a plus. What that does is keep a Chesterfield County who is growing by leaps and bounds and has hundreds of millions of dollars worth of needs. I can't keep running to the Fund, getting 4% money, and I could have this many projects on the waiting list, and I could keep lots of people from having any access. That was certainly a plus.

Probably the other thing that's been real critical in its development is that basically the revenue is stagnant. When I say stagnant, it grows, don't get me wrong; but its growth is minimal mainly because of its fund sources. There are two primary fund sources. Obviously one is fines, fees and forfeitures. That piece, while some of the fines have been increased, many of the local governments have passed ordinances, local ordinances that mirror state law. If you get written for speeding and you get written by a Chesterfield County cop, and Chesterfield is probably not a great example but if you get a ticket and you're in a locality that has its own speeding ordinance, you're going to get written under a local ordinance. That means that that money, your fine, stays in that county. It does not get transmitted to the Literary Fund. So as maybe fines have gone up in some cases, some of our biggest localities have passed local ordinances and then their fines stay in their own locality.

A couple of times when I was at the Department, we did some studies with the Supreme Court looking at whether or not we could ban those people from being eligible for a Literary Fund loan. If you're keeping all your fines in your home locality, then maybe you shouldn't be eligible for a Literary Fund loan. That never went anywhere. It has some problems, first of all trying to figure out how much money is being diverted from the fund is very difficult without asking the local courts to change their system which gets very expensive and so politically, it doesn't happen. Or you could be like me and I tell people this all the time, fortunately I haven't gotten many speeding tickets in my life but I got one probably six, seven years ago while I was still at the Department and said to the policeman, write me under a state statute, and he said, do what? And, I said I want you to write me under a state speeding statute. He said, I don't even know what it is, and I said so go find out. He went to his car and was gone forever, and I was obviously going to work when I got this speeding ticket, so it took forever. He came back and he said, you know, I didn't think I had to do that but they tell me that I do. And he wrote me under Section 46, the State Code of Virginia, which meant at least that my money went to the Literary Fund. I told him that at least if you're going to write me a ticket, I might as well send my money to build schools as opposed to giving it to the County of Chesterfield.

Those things have kept revenue from increasing. The other big part of the Fund's revenue is from repayments of Literary Fund loans. Well if you only have so much money in any year to give out, then you're only going to recoup so much money. That revenue stream is fairly flat. You don't see huge increases in the amount of revenue the Fund is generating, but if you allow localities to borrow \$7.5 million per project, then what you do is you increase the length of time people wait. June was telling me just this morning that the waiting list is upwards of \$140 million. They probably have \$90 million, give or take, \$100 million, in a year's time to be able to give. They're beginning to tell people that their waiting time is now approaching 18 months versus 12 months. Twelve months has been a goal forever. I can remember the time when it was two years. I think that's some of the things that have affected the Fund over time.

Mr. Mullins: I think you've answered a lot of question 3. Question 3 says, will you describe your specific role in utilization of the Literary Fund both past and present? I guess we could cover present.

Ms. Kitchen: Well right now, yes, we have some indebtedness to the Literary Fund from Chesterfield County. Chesterfield reached the \$20 million cap, in fact I'd have to look, but my guess is when the \$20 million cap was put in, Chesterfield was there, and so for a while, hasn't borrowed any money from the Literary Fund.

I checked several months ago just to see where we were, and we had probably \$11 million in indebtedness outstanding. We have some capacity to go back to the Literary Fund. Chesterfield is also fortunate in that our voters passed a bond referendum in November of 1996 basically with some cash that we have, a \$200 million bond referendum, which is enabling us to issue all the debt we can issue. Given our county, Chesterfield County is the only AAA bond rating in the Commonwealth of Virginia and one of probably only 12-15 in the country. We have some very strict debt limits, self-imposed debt limits that our capacity has set. Right now we can issue all the debt that we want to issue through our local referendum. Right now we don't have any need to go to the Literary Fund. That referendum will be spent out in the fiscal year 2002. Obviously we have \$200 million CIP beyond that, so our county and our school board are going to have to decide are we going back to local referendum. If we are, for how much? Will we supplement it with the Literary Fund? Will we supplement it with the Virginia Public School Authority? My guess is in the last five to seven years, this county has not gone to the Literary Fund. Last year, we issued local GO debt at 4.1%. We would get 4% money from the Literary Fund, so as long as we can be that competitive with the local referendum and our constituents support that, there's really no need for us to go to the Literary Fund.

Our Board is very supportive of the fact that some localities need the Literary Fund. They're not going to get support for a local referendum, and if they did, the interest rates would be huge because of their own capacity issues. Our Board is not going to go there unless they feel a real need to go there. Since I've been here, I really haven't dealt with it very much at all.

Mr. Mullins: How have you been directly involved with bringing about changes in how the Literary Fund has been appropriated? Have you been involved in that?

Ms. Kitchen: Certainly, when I was at the Department, again I was the person who had to go to the General Assembly and make presentations on the Fund itself, the status of the Fund, how potential changes would affect the Fund, things like when the General Assembly says maybe we

should go to \$5 million. You can't do much with \$2.5 million, building a school or renovating a school. My job was to go over there and say, that's fine. Yes, you're right, \$2.5 million doesn't do much. Here's the impact that raising it to \$5 million will have on the Fund. When we're looking at things like technology notes. Yes, you can do that. Here's the impact it will have on the Fund.

Mainly, my role was one of trying to provide information to the General Assembly, to the Board of Ed. about how specific actions would impact the Fund. I hope that over time that some of that work had some positive impact in terms of giving information that said please don't do that.

That's not a good thing to do. I spent probably the last three or four years of my time at the Department spending probably as much time on the issue of public school construction, not just specifically the Literary Fund but public school construction, as anything I did simply because that's when it started to become very, very political. I was already here when the General Assembly appropriated the first funding for public school construction. I got lots of notes from legislators and people who said, all that work finally paid off. You're not here but it finally paid off because we spent a lot of time on the whole issue of public school construction.

Mr. Mullins: You mentioned a couple of times technology notes. If we could just spend a moment on that. Was that a proposal by the General Assembly alone, or do you recall?

Ms. Kitchen: I do believe that the first time it happened it came from the General Assembly versus the Administration. It was because of the inordinate pressure that people wanted to do something. The first actual money that I think we got for technology, and I have to go back and look, but I think the actual first money we got which was regular general fund money was \$15 million state wide, which is not a lot of money. I think that the General Assembly then looked, the money committees then looked at how it would work; How do you get a lot of money? How do you get \$50 million? How do you get \$100 million? Well, you don't do that out of General Fund cash.

I don't know if anybody has dropped the name on you, Pam Curry. Pam is the legislative analyst, if you will, for the Senate Finance Committee who does public ed. She is a debt expert. She came to the Senate Finance Committee from the Virginia Public School Authority. She is really good in this area because she is a debt expert as well as public ed. I think that probably some of

those first technology thoughts came from Pam's direction in terms of how can we get a lot of money out there. Once you do that, it's real easy to jump on the bandwagon. Whether you're the Administration or the General Assembly, it's real easy to do that. You're pumping a lot of money out for technology, and it does have a serious impact on the Fund, but that doesn't affect everybody.

Fairfax County would never borrow money from the Literary Fund. And yet, Fairfax County is going to get a lot of technology money. You get a lot of votes that way. But I do think it started over on the legislative side.

Mr. Mullins: Would that have been in the late 80's, early 90's?

Ms. Kitchen: I could look, early 90's I do believe. I think we may have started, it was after the recession and we had the big hit in public ed. in '90, '91, and '92. My guess is it was after that, it would have been '93, '94, somewhere in that territory.

Mr. Mullins: What's your vision about how the Literary Fund could best be utilized in public education?

Ms. Kitchen: The real issue with this becomes, as we talked a minute ago about a stagnant fund source, if nobody touched the Fund, you didn't pay debt service, you didn't take it for teacher retirement, you didn't do anything, you just left every dime in there, you're talking \$130-\$140 million a year in revenue. As a source of financing for public ed. that's not a huge amount of money. I guess my goal all along has been leave it alone. Let it fund what it can in public school construction. If I still played a role in that, I would probably push harder to limit who can participate in money from the Literary Fund.

Some of the regs do that now. It makes no sense for a locality whose composite index is in the 6's to go to the fund until bond times are terrible because they're going to get a 6% interest rate. You can do that well if you're Chesterfield, or you're Henrico, or Fairfax, you'll have a better rate anyway. But I think my vision would be leave it alone, let it fund public school construction. We may want to look at limiting it to the very poor. I do mean, Chesterfield would hate to hear this, but maybe your index has to be below .4 to even participate. We have lots of localities, like

Spotsylvania and Stafford, whose indexes are in the 4's, my guess high 3's, low 4's, who are growing like Chesterfield was ten years ago, that will go until they reach 20 and the minute they get under \$20 million they'll borrow some more. They keep the Floyd counties and the Russell counties on a waiting list longer. They don't keep them from getting money; they just make them wait longer.

Mr. Mullins: The next question, what do you consider to be the main challenges facing the Literary Fund now and in the future?

Ms. Kitchen: I do think the main challenge is political, leave it alone; don't mess with it for other things that become things that will buy you a vote, leave it alone, let it do what it does. Then look at targeting it to the extent you can to the people that that's their only option. They don't have other viable options for school construction. That's tough.

Mr. Mullins: How do you see the Literary Fund affecting public education in the Commonwealth of Virginia?

Ms. Kitchen: I think its impact is becoming less and less. You know as the General Assembly does things, like puts out money for public school construction, General Fund money or lottery money if you will, or whatever, those are huge numbers. I mean, the General Assembly's distribution of lottery money is what, \$300 million a year give or take, and that's going to go out every year. Well that makes the Literary Fund's \$140 million smaller and smaller. I think it has a smaller and smaller impact over the years, but again a viable one for the very poor. So it depends on where you sit. For us in Chesterfield or in a Fairfax, the Literary Fund becomes relatively unimportant. People don't get excited. But if you happen to be Washington County or Smith County or Russell County, it may be the only hope you have to renovate a school.

Mr. Mullins: The last question. Is there anything else you'd like to add that would help me analyze the effectiveness and the future considerations of the Literary Fund?



Ms. Kitchen: No, the only thing I'd add and you mentioned it when we started, is you really may want to talk to a couple of superintendents. One I can think of right away is Larry Massie, Russell County, and the reason I mention that is that June Eanes and I went out last summer to visit them and Carl Jackson took us around and showed us the very simple things they'd been able to do to upgrade their schools. Every bit of it was Literary Fund money. Without it, they would have never gotten it done. They replaced windows and doors, things that maybe aren't the real exciting things, but they made their schools look and function very well. To them it's very important.

Mr. Mullins: My daughters attend school there.

Ms. Kitchen: Really?

Mr. Mullins: Yeah, we've been trying to get some renovations done. I don't know if they took you to Belfast, my daughters attend there. There's a lot of need there. The small school seems to work. I've always been afraid that they'll close that particular school.

Ms. Kitchen: I know, I know. And there's a great deal of pressure to do that because they fall in disrepair. They're expensive. Sometimes it's easier to close them and bus them over somewhere else than to fix it.

Mr. Mullins: Let me ask one other thing here, just as a follow up. We talked a lot about revenue and the lack of it. Is there anything that comes to mind, and I know you've thought about it, how to bring in more revenue? Would there be anything that comes to mind, for the Literary Fund?

Ms. Kitchen: I could sit here and name some things, but the problem is without a new revenue source, without a new tax or something, you could make a decision to put things, existing revenue streams into the Literary Fund, but you're diverting them from somewhere. You know what that means. There's a lobby somewhere for whatever that revenue stream is, so if you try to divert it from here to the Literary Fund, you're going to get a lot of opposition. That's the problem. We're not in the time of adding new taxes. For instance, one that happens every year in

the General Assembly is use tax service. There's a tax on groceries, but there's no tax on getting your hair cut or getting your suit dry-cleaned. Every year there's always a push and they get close and they've even done some, you know, one year they added a tax on locksmiths. Now, statewide it generated, I make this up, but \$20 grand. Whoop-de-do. So, you could say okay, we really are going to tax services. Instead of adding that to the general sales tax revenue, we're going to put that into the Literary Fund. The political pressure would never come to bear that they would put that into the Literary Fund versus the General Fund revenue stream. It becomes very difficult to generate more revenue for the Fund without stepping all over political toes.

Mr. Mullins: I see what you mean. Well, this has been wonderful. I certainly want to thank you.

Ralph Shotwell, Interview, Director of Finance, Research and Retirement Services, Virginia Education Association  
August 3, 2000  
Richmond, Virginia

Mr. Mullins: Mr. Shotwell, we'll begin by asking would you describe your knowledge of the Literary Fund as it pertains to public school funding in the Commonwealth of Virginia?

Mr. Shotwell: Okay. I have a general working knowledge of the Literary Fund because over the years, I have, as Director of Research for the Virginia Education Association, done some work with our legislative staff folks in our lobbying efforts. So I'm very much aware of the Literary Fund and its overall impact as far as the state budget is concerned.

Mr. Mullins: Would you identify what you consider to be the critical events in the development of the Literary Fund?

Mr. Shotwell: Well, I think if you go all the way back to the time it was established, that was about 1810, you had a principal of the Fund, and then the interest accruing on that Fund over the years was to be used for school construction and one critical element in it, I think, is the fact that the funds could be transferred from the Literary Fund for the Virginia Retirement System payments to teacher retirement. As time went on, particularly in recent years, in the early decade of the 90's, there were substantial transfers from the Literary Fund for teacher retirement payments. That created a long waiting list in terms of the availability of funds for loans to local school divisions.

Mr. Mullins: I'd like to follow up on that a little bit later and talk about that transfer. Will you describe your specific role in the utilization of the Literary Fund, both past and present?

Mr. Shotwell: I have no real direct contact or relationship in that regard since the Virginia Education Association is an organization that represents teachers and school employees, I have no direct relationship in that regard. But, from the standpoint of the impact of the Literary Fund as far as the state budget is concerned, and those transfer payments to teacher retirement in lieu of using General Fund revenues, that particular aspect of the problem does have a significant

impact on the availability of General Fund revenues for the elementary and secondary education budget. From that standpoint, we've always been very interested in legislative proposals which have an impact on the Literary Fund as far as an indirect impact on the K-12 education budget.

Mr. Mullins: How have you been directly involved with bringing about changes in how the Literary Fund money has been utilized in the past?

Mr. Shotwell: We, again, as a lobbying group, have worked with the State Board of Education, State Superintendent of Public Instruction, in terms of changes that have been recommended by the State Board of Education, particularly in helping localities with a low composite index access the fund and the limit on the fund. We've also followed very closely any legislative proposals which might have an impact on the fund itself because we have viewed this over the years as a very important revenue source for low interest loans to help local school divisions with capital outlay. We think that's particularly important in view of the fact that until recent years, this was the only assistance that the Commonwealth provided to localities to help with capital outlay.

Mr. Mullins: What is your vision about how the Literary Fund might best be utilized in the future?

Mr. Shotwell: Well, I think that looking into the future, the Literary Fund can continue to be an important revenue source for low interest loans particularly to the low capacity school districts in Virginia. I think the problem, however is, as we look to the future, the Literary Fund is not going to generate enough money to meet the backlog of capital outlay needs in the Commonwealth considering renovation and maintenance, considering the technology needs of school systems in the future, and particularly for high growth school divisions who are going to need substantial amounts of money to keep up with the building programs that the Literary Fund itself is just not going to be sufficient to do that.

Several studies have indicated and they have been studies commissioned by the Legislature and the state policymakers to look at the long-term capital outlay needs of school divisions in Virginia. I think one study identified about \$6 billion in unmet new construction needs and another \$2 billion or so as far as maintenance is concerned. That's about \$8 billion that's out

there looking into the future. That's a huge problem. The Literary Fund in and of itself I don't think can do the job. The Legislature in the last several sessions has taken some steps to provide additional funding sources to help school divisions with this backlog of capital outlay needs. That's encouraging, but even there, it's still a relatively small amount of money as far as the needs are concerned. The State needs to do more. As far as the overall scope of what needs to be done, I think local school divisions need a permanent, dependable revenue source for this \$8 billion capital outlay problem that we have. As far as the VEA is concerned, looking into the future, that may mean doing something through the bond approach rather than trying to provide direct financial aid out of the General Fund of the Commonwealth. They have set aside a portion of the lottery profit monies for capital outlay needs, but again, I don't think that's going to be sufficient. I think it's going to take a combination of funds from the Literary Fund, and then we're going to have to do something additional, the Commonwealth's going to have to make a policy decision in the next several years simply because of the magnitude of the problem.

Mr. Mullins: You may have answered some of these other questions in that, but I'll go ahead and ask # 6: What do you consider to be the main challenges that the Literary Fund faces? If you want to add any more, but I think you've answered some of these questions.

Mr. Shotwell: Yeah, I probably did pick up a couple more of the questions there in what I just said. I think the challenge for capital outlay needs in Virginia is this backlog of capital outlay problems that I just referenced and the fact that in the early 90's, when we had the major recession in Virginia, they transferred the funds for teacher retirement payments. There were no projects being approved. In effect, the priority one list was frozen and so there was a long waiting list. This pent-up demand just has created major problems that are going to take some time to recover from.

Mr. Mullins: If you will allow me, I wanted to come back to that retirement question. If you will allow me, we'll do that now. Were those the funds that were put into the retirement system, was that because we didn't have the money available to put in the retirement system because of the recession? Was that how that came about?

Mr. Shotwell: That's my perception of it. The strategy, and this was primarily I guess during the Wilder administration, the strategy was to deal with the State revenue shortfall without raising taxes in the Commonwealth. So State government policymakers, including Governor Wilder, looked at every possible revenue source to accomplish that objective. This was one of the ways that they chose to relieve pressure on the General Fund where the revenues were not meeting the projected revenue income for the State that they had anticipated. They could relieve the pressure on the General Fund by making these transfer payments from the Literary Fund to cover the amount of money that they were obligated to put in as an employer contribution for the Virginia Retirement System.

Mr. Mullins: Was there any widespread opposition to that at that time, do you recall?

Mr. Shotwell: I don't know, I think in general terms, that education decision makers didn't like that decision but at the same time, they recognized that it was probably inevitable given the major budget problem that the State of Virginia had. I think we had probably a \$2 billion problem in that period of time. I think everybody was aware of what was going to happen when a transfer of that magnitude was made but they just recognized that this was what was going to happen although they didn't particularly like that particular approach.

Mr. Mullins: Do you know how many years this has occurred and whether the practice is still continuing?

Mr. Shotwell: There was probably an impact overall for about four years in the Wilder administration. I guess the impact after those four years is still there because it took some additional time to catch up with those localities that were on the priority one waiting list.

Mr. Mullins: As far as you know, there isn't any transferring of funds now from Literary Fund money?

Mr. Shotwell: It is my understanding that at the present time, things are back on track so we have basically recovered from that. Again, the amount of money generated each year that is

available from the principal of the Literary Fund, looking at it personally; I just don't think there will be sufficient funds there to do the job from the Literary Fund alone.

Mr. Mullins: How do you see the Literary Fund affecting public education in the Commonwealth of Virginia?

Mr. Shotwell: In the past, it has been a dependable, reliable source of revenue to help ease the burden on local school divisions with capital outlay. That's a good thing. I know years ago when they revised the State funding formula, that was back in the early '70's, '71, '72' and '73, when they re-wrote the state constitution, there was a general understanding that the State of Virginia would take care of the fringe benefit costs for employees meaning the state retirement cost and Social Security cost, employer contributions, and it would be the responsibility of the local school divisions to take care of capital outlay costs. That was never in writing, but it was an understanding among the state policymakers when they were revising the school funding formula. That general understanding was abandoned in about 1975, '76, when John Dalton was Governor because at that time, they for the first time shifted the responsibility for a portion of the cost of the State Retirement System and Social Security to the local school divisions through the state funding formula. That pledge or general agreement was broken and since that time, the cost burden on localities has increased for the employer share of the Virginia Retirement System cost and Social Security cost. I think that makes it even more important that we get a commitment from the Commonwealth as we look to the future for a permanent, dependable revenue source to help with capital outlay beyond what the Literary Fund provides.

Mr. Mullins: Okay. Is there anything else you'd like to add that would help me analyze the effectiveness and future considerations of the Literary Fund?

Mr. Shotwell: I don't think so specifically, but I would mention the fact that the whole issue of capital outlay needs for school divisions is in the forefront of the agenda at this time because we have a major study which is going to be undertaken; we're in the early stages of it now; the study will be undertaken by the Joint Legislative, Audit and Review Commission. They will present a final report in August of 2001 looking at the whole issue of the funding of K-12 education by the

Commonwealth, the role of the Commonwealth, and the role of the localities. The school divisions across the state, local education officials, representatives of education interest groups are all united behind the notion that there has to be an additional contribution from the Commonwealth on capital outlay. So from that standpoint, I think what's provided by the Literary Fund, from the VPSA and these new revenue sources that have been put into the state budget recently, all of that will be reviewed. I think the role of the Literary Fund will be back on the agenda and will be a part of this study as JLARC looks at this problem.

Mr. Mullins: Is the Virginia Public School Authority being used as much as it ever was. You don't hear as much about that now.

Mr. Shotwell: I really am not sure about that. That's an area where I'm indirectly involved. That is my impression. It's not being used as much as it was. I think the connection between the Literary Fund and the VPSA and the unavailability of Literary Fund monies had an impact on the flexibility of VPSA

Mr. Mullins: Well, I certainly want to thank you for your time, and I appreciate your participation in this.



APPENDIX B

Table 14 Current Operations Cost for Public Elementary and Secondary Education by Source 1976–77, 1996–97.

Year	Local	State	Sales Tax	Federal	Total	% Local	% State	% Federal	% Sales Tax	Total %
1976-77	773,145,867	462,711,450		154,775,914	1,390,633,231	55.60%	33.27%	11.13%	0.00%	100.00%
1977-78	846,145,272	484,115,506		165,300,814	1,495,561,592	56.58%	32.37%	11.05%	0.00%	100.00%
1978-79	745,594,683	707,679,683		177,725,623	1,630,999,989	45.71%	43.39%	10.90%	0.00%	100.00%
1979-80	864,102,812	550,495,075	195,129,988	190,661,151	1,800,389,026	48.00%	30.58%	10.59%	10.84%	100.00%
1980-81	971,149,703	741,125,578	213,339,166	197,076,966	2,122,691,413	45.75%	34.91%	9.28%	10.05%	100.00%
1981-82	1,108,888,578	768,150,126	222,226,549	184,792,513	2,284,057,766	48.55%	33.63%	8.09%	9.73%	100.00%
1982-83	1,218,264,146	866,398,010	237,816,232	182,955,696	2,505,434,084	48.62%	34.58%	7.30%	9.49%	100.00%
1983-84	1,284,618,994	953,832,951	275,509,637	185,175,425	2,699,137,007	47.59%	35.34%	6.86%	10.21%	100.00%
1984-85	1,441,180,742	1,037,410,772	309,991,251	199,999,498	2,988,582,263	48.22%	34.71%	6.69%	10.37%	100.00%
1985-86	1,540,805,546	1,215,120,244	340,584,996	209,749,800	3,306,260,586	46.60%	36.75%	6.34%	10.30%	100.00%
1986-87	1,686,633,992	1,332,265,288	368,469,308	212,429,760	3,599,798,348	46.85%	37.01%	5.90%	10.24%	100.00%
1987-88	1,882,792,637	1,463,357,851	397,970,832	222,232,498	3,966,353,818	47.47%	36.89%	5.60%	10.03%	100.00%
1988-89	2,059,537,884	1,561,686,570	430,654,702	236,730,486	4,288,609,642	48.02%	36.41%	5.52%	10.04%	100.00%
1989-90	2,379,289,786	1,678,212,345	452,012,897	262,427,403	4,771,942,431	49.86%	35.17%	5.50%	9.47%	100.00%
1990-91	2,518,882,154	1,800,761,870	442,993,695	290,993,564	5,053,631,283	49.84%	35.63%	5.76%	8.77%	100.00%
1991-92	2,585,676,458	1,718,815,491	450,755,984	313,938,458	5,069,186,391	51.01%	33.91%	6.19%	8.89%	100.00%
1992-93	2,615,018,532	1,876,041,836	474,975,808	357,217,380	5,323,253,556	49.12%	35.24%	6.71%	8.92%	100.00%
1993-94	2,754,432,292	1,884,648,345	510,487,410	361,044,760	5,510,612,807	49.98%	34.20%	6.55%	9.26%	100.00%
1994-95	2,837,289,848	2,041,083,742	549,259,762	357,348,705	5,784,982,057	49.05%	35.28%	6.18%	9.49%	100.00%
1995-96	2,964,770,268	2,111,297,967	569,262,143	352,688,218	5,998,018,596	49.43%	35.20%	5.88%	9.49%	100.00%
1996-97	3,170,674,114	2,325,805,818	603,682,175	347,118,039	6,447,280,146	49.18%	36.07%	5.38%	9.36%	100.00%

Information to prepare this table was taken from Table 15, p. 168, which was taken from VEA Research Services

**Table 15** Expenditures for Public School Operations – Virginia 1976-77, 1996-97  
 (Operation = regular day schools, summer schools, adult education, etc. excludes capital outlay and debt: Per Pupil in Average Daily Membership (ADM) Basis)

Year	Local	State	Sales Tax	Federal	Total	ADM	Local	State	Sales Tax	Federal	Total
1976-77	773,145,867	462,711,450		154,775,914	1,390,633,231	1,090,713	709	424		142	1,275
1977-78	846,145,272	484,115,506		165,300,814	1,495,561,592	1,070,411	790	452		154	1,396
1978-79	745,594,683	707,679,683	a/	177,725,623	1,630,999,989	1,045,135	713	677		170	1,560
1979-80	864,102,812	550,495,075	195,129,988	190,661,151	1,800,389,026	1,022,242	845	539	191	187	1,762
1980-81	971,149,703	741,125,578	213,339,166	197,076,966	2,122,691,413	1,001,412	970	740	213	197	2,120
1981-82	1,108,888,578	768,150,126	222,226,549	184,792,513	2,284,057,766	979,639	1,132	784	227	189	2,332
1982-83	1,218,264,146	866,398,010	237,816,232	182,955,696	2,505,434,084	966,614	1,260	896	246	189	2,591
1983-84	1,284,618,994	953,832,951	275,509,637	185,175,425	2,699,137,007 b/	958,087	1,341	996	288	193	2,818
1984-85	1,441,180,742	1,037,410,772	309,991,251	199,999,498	2,988,582,263	957,125	1,506	1,084	324	209	3,123
1985-86	1,540,805,546	1,215,120,244	340,584,996	209,749,800	3,306,260,586	960,292	1,605	1,265	355	218	3,443
1986-87	1,686,633,992	1,332,265,288	368,469,308	212,429,760	3,599,798,348	966,867	1,744	1,378	381	220	3,723
1987-88	1,882,792,637	1,463,357,851	397,970,832	222,232,498	3,966,353,818	971,062	1,939	1,507	410	229	4,085
1988-89	2,059,537,884	1,561,686,570	430,654,702	236,730,486	4,288,609,642	973,545	2,116	1,604	442	243	4,405
1989-90	2,379,289,786	1,678,212,345	452,012,897	262,427,403	4,771,942,431	976,992	2,435	1,718	463	269	4,885
1990-91	2,518,882,154	1,800,761,870	442,993,695	290,993,564	5,053,631,283	991,236	2,541	1,817	447	294	5,099
1991-92	2,585,676,458	1,718,815,491	450,755,984	313,938,458	5,069,186,391	1,008,244	2,565	1,705	447	311	5,028
1992-93	2,615,018,532	1,876,041,836	474,975,808	357,217,380	5,323,253,556	1,022,456	2,558	1,835	465	349	5,207
1993-94	2,754,432,292	1,884,648,345	510,487,410	361,044,760	5,510,612,807	1,035,111	2,661	1,821	493	349	5,324
1994-95	2,837,289,848	2,041,083,742	549,259,762	357,348,705	5,784,982,057	1,049,632	2,703	1,945	523	340	5,511
1995-96	2,964,770,268	2,111,297,967	569,262,143	352,688,218	5,998,018,596	1,068,081	2,776	1,977	533	330	5,616
1996-97	3,170,674,114	2,325,805,818	603,682,175	347,118,039	6,447,280,146	1,085,483	2,921	2,143	556	320	5,940

A/ One-cent sales tax revenues included in state share. B/ Expenditures for mandatory benefits included. Na – records unavailable – VEA Research Services.  
 Data was prepared from VA Dept. of Education documents – *Annual School Report & Facing*

## APPENDIX C

### HOUSE JOINT RESOLUTION NO. 662

Agreed to by the House of Delegates, February 4, 1997

Agreed to by the Senate, February 19, 1997

WHEREAS, Virginia's school divisions have many construction needs, with localities estimating a need for school construction investments of \$4.1 billion in the next five years; and

WHEREAS, this \$4.1 billion investment will remedy less than two-thirds of the known construction deficiencies of \$6.2 billion; and

WHEREAS, figures obtained through on-site capital improvement surveys indicate that school divisions underreport capital needs by 54 percent; and

WHEREAS, the real unmet capital construction needs in Virginia's school divisions, therefore, could exceed \$8.2 billion; and

WHEREAS, these construction problems are exacerbated by increases in school construction costs and the burden of debt service in recent years; and

WHEREAS, the Commonwealth of Virginia operates two construction funding programs that depend on the revenue flowing into the Literary Fund, a constitutionally established, permanent and perpetual fund; and

WHEREAS, the Constitution of Virginia authorizes the General Assembly to use Literary Fund moneys for public school purposes, "so long as the principal of the Fund totals as much as eighty million dollars"; and

WHEREAS, the fiscal crises of the early 1990s made it necessary to transfer substantial funds from the Literary Fund and, without these transfers, funding of the Standards of Quality could have been affected; and

WHEREAS, the budget decisions of the early 1990s made it possible for Virginia to thrive in a time of economic exigency; and

WHEREAS, without the flexibility provided by the Constitution of Virginia, these accomplishments might not have been possible; and

WHEREAS, the impact of Literary Fund transfers on the capacity of the Fund to make direct loans and the capacity of the Virginia Public School Authority to issue bonds was significant; now, therefore, be it

RESOLVED by the House of Delegates, the Senate concurring, That it is the sense of the General Assembly of Virginia that great restraint must be exercised in using Literary Fund moneys for school purposes other than construction and other capital projects; and be it

RESOLVED FURTHER, That the General Assembly recognize that because economic forecasts are favorable for 1997, with considerable reserves predicted, it is, therefore, time to focus on funding the vital construction and equipment needs of the Commonwealth's public schools.

Source: *Acts of Virginia Assembly*, House Joint Resolution No. 662, February 4, 1997, and February 19, 1997, pp. 3157-3158.

SENATE JOINT RESOLUTION NO. 318

Agreed to by the Senate, February 4, 1997

Agreed to by the House of Delegates, February 12, 1997

WHEREAS, the Literary Fund was originally established in 1810 as a statutory mechanism for funding the education of poor children; and

WHEREAS, in 1869, the Literary Fund was added to the Virginia Constitution; and

WHEREAS, Section 8 of the Constitution of Virginia establishes the Literary Fund as a “permanent and perpetual school fund” which is “held and administered by the Board of Education in such manner as may be provided by law”: and

WHEREAS, the Constitution of Virginia does not confine the Literary Fund to any specific “school” use, but assigns the General Assembly the task of making that determination in law; and

WHEREAS, the moneys in the Literary Fund are primarily designated “for erecting, altering or enlarging school buildings”; and

WHEREAS, the integrity of the Literary Fund is important for funding direct loans to school divisions for school construction and for the viability of the Virginia Public School Authority – a bond bank for school construction purposes; and

WHEREAS, the Literary Fund revenues are generated from various sources, the most important of which is “fines for offenses against the Commonwealth”; and

WHEREAS, over the years, many local governing bodies have developed parallel systems of offenses and fines through ordinances for many infractions, including most traffic violations; and

WHEREAS, when individuals are charged under a local ordinance, the funds flow into the local coffers and no into the Literary Fund; and

WHEREAS, another mechanism for avoiding the Literary Fund is the imposition of civil penalties at the local level for various offenses, ranging from violations of dog leash laws to failure to purchase permits; and

WHEREAS, Section 8 of the Virginia Constitution authorizes the General Assembly to “set aside all or any part of additional moneys received” by the Literary Fund, “so long as the principal of the Fund totals as much as eighty million dollars”; and

WHEREAS, over the past 30 years or more, controversy has often arisen concerning this minimum principal (\$80 million) required by the Constitution to remain in the Fund and the use of the Literary Fund moneys for “other school purposes”; and

WHEREAS, diversions of Literary Fund moneys at the state level are mirrored by the local diversions of the Literary Fund’s streams through the use of civil penalties and parallel local ordinances; now, therefore, be it

RESOLVED by the Senate, the House of Delegates concurring, That the Commission on Educational Infrastructure be directed to examine the integrity of the revenues of the Literary Fund. Specifically, the Commission is requested to evaluate

(i) any mechanisms available to restore the Literary Fund’s lending capacity to that which would have existed but for the large diversions in the state budgets during the early 1900’s; (ii) the appropriateness of the various civil penalties, whether state or local, and where such civil penalties are deposited; (iii) if feasible, how the various local civil penalties are used; (iv) the

scope of local ordinances establishing parallel systems of violations; and (v) whether any limitations or revisions should be recommended for civil penalties or parallel ordinances.

The Commission shall include this analysis, and any recommendations for limitations or revisions in the present system, in its final report, to be presented to the Governor and the 1998 Session of the General Assembly as provided in the procedures of the Division of Legislative Automated Systems for the processing of legislative documents.

Source: *Acts of Virginia Assembly*, Senate Joint Resolution No. 318, February 4, 1997, and February 12, 1997, pp. 3338-3339.

APPENDIX D

Table 16 – Summary of Literary Fund Interest Rates Charted to local School Divisions for Public School Construction; Maximum and Minimum Loan Amounts for Construction Projects; and Total Amounts of Indebtedness Allowed for Literary Loans to Local School Divisions, Commonwealth of Virginia, Selected Years

Year	Interest	Individual Loan		Total Cap
		Max	Min	
1906	4%	3,000	250	N/A
1908	4-5%	10,000	250	N/A
1914	3-4%	10,000	250	N/A
1916	3-4%	15,000	250	N/A
1936	3-4%	50,000	250	N/A
1938	3-4%	100,000	500	N/A
1947	2%	100,000	500	N/A
1974	3%	750,000	500	N/A
1977	3%	750,000	500	N/A
1980	3%	1,000,000	500	N/A
1982	3%	2,000,000	500	N/A
1984	3-6%	2,000,000	500	N/A
1987	3-6%	2,000,000	50,000	10,000,000
1988	3-6%	5,000,000	50,000	15,000,000
1998	2-6%	7,500,000	50,000	20,000,000

Source: Various Acts of Virginia Assembly; Annual Reports of the Superintendent of Public Instruction; and Virginia Board of Education Minutes.

## VITA

Foney Gene Mullins was born in Buchanan County on February 1, 1953. He attended the public elementary and secondary schools in Grundy, Virginia, until 1968. In that year, his family relocated to Russell County, Virginia. He graduated from Honaker High School (Russell County) in 1971. He attended Davidson College from 1971-1975 receiving a Bachelor of Science degree in History. He received a Master of Education degree from the University of Virginia in 1986 and a Certificate of Advanced Graduate Studies in Educational Leadership from Virginia Polytechnic Institute and State University in 1999. His professional experience began in Buchanan County in 1975. From that year to 1986 he taught history and was involved in coaching basketball, football, and golf at Grundy Junior High School. In 1986 he began teaching English at Richlands Middle School in Tazewell County, Virginia. In 1991 he moved to Washington County, Virginia, and has been employed in the Washington County Public School System until present. In Washington county he has taught elementary school for one year; served as Assistant Principal of Holston High School for one year; was Principal of Rhea Valley Elementary School for five years; and was Principal of Glade Spring Middle School for four years. For the 2001-2002 school term he will be serving as Elementary School Supervisor for Washington county. Mr. Mullins is the proud father of two daughters, Lorin, age 14, and Cally, age 10.