



## 95TH GENERAL ASSEMBLY

### State of Illinois

2007 and 2008

HB5769

by Rep. Kathleen A. Ryg

#### SYNOPSIS AS INTRODUCED:

See Index

Amends the School Code. Makes changes concerning school districts certified to be in financial difficulty, a district's account audit, the removal of school board members, the interest of a district's general counsel in contracts, the adoption by a school board of a formal, written financial policy, the development by a school board of a long-term financial plan and a 5-year capital improvement plan, the inclusion of a user-friendly executive summary as part of a district's budget, the inclusion of certain items in the full budget document, school board training on financial oversight, accountability, and fiduciary responsibilities, the establishment of an audit committee, an Education Inspector General, and school board associations. Effective immediately, except that certain provisions take effect July 1, 2009.

LRB095 19906 NHT 46323 b

CORRECTIONAL  
BUDGET AND  
IMPACT NOTE ACT  
MAY APPLY

FISCAL NOTE ACT  
MAY APPLY

STATE MANDATES  
ACT MAY REQUIRE  
REIMBURSEMENT

1 AN ACT concerning education.

2 **Be it enacted by the People of the State of Illinois,**  
3 **represented in the General Assembly:**

4 Section 5. The School Code is amended by changing Sections  
5 1A-8, 3-7, 3-15.5, 10-9, 10-22.45, 23-3, and 23-6 and by adding  
6 Sections 10-17b, 10-17c, 10-17d, 10-20.46, 22-50, 34-18.37,  
7 34-18.38, 34-18.39, 34-18.40, and 34-18.41 as follows:

8 (105 ILCS 5/1A-8) (from Ch. 122, par. 1A-8)

9 Sec. 1A-8. Powers of the Board in Assisting Districts  
10 Deemed in Financial Difficulties. To promote the financial  
11 integrity of school districts, the State Board of Education  
12 shall be provided the necessary powers to promote sound  
13 financial management and continue operation of the public  
14 schools.

15 The State Superintendent of Education may require a school  
16 district, including any district subject to Article 34A of this  
17 Code, to share financial information relevant to a proper  
18 investigation of the district's financial condition and the  
19 delivery of appropriate State financial, technical, and  
20 consulting services to the district if the district (i) has  
21 been designated, through the State Board of Education's School  
22 District Financial Profile System, as on financial warning or  
23 financial watch status, (ii) has failed to file an annual

1 financial report, annual budget, deficit reduction plan, or  
2 other financial information as required by law, or (iii) has  
3 been identified, through the district's annual audit or other  
4 financial and management information, as in serious financial  
5 difficulty in the current or next school year. In addition to  
6 financial, technical, and consulting services provided by the  
7 State Board of Education, at the request of a school district,  
8 the State Superintendent may provide for an independent  
9 financial consultant to assist the district review its  
10 financial condition and options.

11 The State Board of Education, after proper investigation of  
12 a district's financial condition, may certify that a district,  
13 including any district subject to Article 34A, is in financial  
14 difficulty when any of the following conditions occur:

15 (1) The district has issued school or teacher orders  
16 for wages as permitted in Sections 8-16, 32-7.2 and 34-76  
17 of this Code;

18 (2) The district has issued tax anticipation warrants  
19 or tax anticipation notes in anticipation of a second  
20 year's taxes when warrants or notes in anticipation of  
21 current year taxes are still outstanding, as authorized by  
22 Sections 17-16, 34-23, 34-59 and 34-63 of this Code, or has  
23 issued short-term debt against 2 future revenue sources,  
24 such as, but not limited to, tax anticipation warrants and  
25 general State Aid certificates or tax anticipation  
26 warrants and revenue anticipation notes;

1           (3) The district has for 2 consecutive years shown an  
2 excess of expenditures and other financing uses over  
3 revenues and other financing sources and beginning fund  
4 balances on its annual financial report for the aggregate  
5 totals of the Educational, Operations and Maintenance,  
6 Transportation, and Working Cash Funds;

7           (4) The district refuses to provide financial  
8 information or cooperate with the State Superintendent in  
9 an investigation of the district's financial condition.

10          No school district shall be certified by the State Board of  
11 Education to be in financial difficulty by reason of any of the  
12 above circumstances (i) arising as a result of the failure of  
13 the county to make any distribution of property tax money due  
14 the district at the time such distribution is due; (ii) arising  
15 as a result of the failure of the Comptroller to disburse  
16 reimbursements authorized under Sections 14-7.02, 14-7.02b,  
17 14-7.03, 14-13.01, 18-3, 18-11, 18-4.3, and 29-5 for receipt by  
18 the school district no later than June 30th of each year; or  
19 (iii) if the district clearly demonstrates to the satisfaction  
20 of the State Board of Education at the time of its  
21 determination that such condition no longer exists. If the  
22 State Board of Education certifies that a district in a city  
23 with 500,000 inhabitants or more is in financial difficulty,  
24 the State Board shall so notify the Governor and the Mayor of  
25 the city in which the district is located. The State Board of  
26 Education may require school districts certified in financial

1 difficulty, except those districts subject to Article 34A, to  
2 develop, adopt and submit a financial plan within 45 days after  
3 certification of financial difficulty. The financial plan  
4 shall be developed according to guidelines presented to the  
5 district by the State Board of Education within 14 days of  
6 certification. Such guidelines shall address the specific  
7 nature of each district's financial difficulties. Any proposed  
8 budget of the district shall be consistent with the financial  
9 plan submitted to and approved by the State Board of Education.

10 A district certified to be in financial difficulty, other  
11 than a district subject to Article 34A, shall report to the  
12 State Board of Education at such times and in such manner as  
13 the State Board may direct, concerning the district's  
14 compliance with each financial plan. The State Board may review  
15 the district's operations, obtain budgetary data and financial  
16 statements, require the district to produce reports, and have  
17 access to any other information in the possession of the  
18 district that it deems relevant. The State Board may issue  
19 recommendations or directives within its powers to the district  
20 to assist in compliance with the financial plan. The district  
21 shall produce such budgetary data, financial statements,  
22 reports and other information and comply with such directives.  
23 If the State Board of Education determines that a district has  
24 failed to comply with its financial plan, the State Board of  
25 Education may rescind approval of the plan and appoint a  
26 Financial Oversight Panel for the district as provided in

1 Section 1B-4. This action shall be taken only after the  
2 district has been given notice and an opportunity to appear  
3 before the State Board of Education to discuss its failure to  
4 comply with its financial plan.

5 No bonds, notes, teachers orders, tax anticipation  
6 warrants or other evidences of indebtedness shall be issued or  
7 sold by a school district or be legally binding upon or  
8 enforceable against a local board of education of a district  
9 certified to be in financial difficulty unless and until the  
10 financial plan required under this Section has been approved by  
11 the State Board of Education.

12 Any financial watch list distributed by the State Board of  
13 Education pursuant to this Section shall designate those school  
14 districts on the watch list that would not otherwise be on the  
15 watch list were it not for the inability or refusal of the  
16 State of Illinois to make timely disbursements of any payments  
17 due school districts or to fully reimburse school districts for  
18 mandated categorical programs pursuant to reimbursement  
19 formulas provided in this School Code.

20 (Source: P.A. 94-234, eff. 7-1-06.)

21 (105 ILCS 5/3-7) (from Ch. 122, par. 3-7)

22 Sec. 3-7. Failure to prepare and forward information. If  
23 the trustees of schools of any township in Class II county  
24 school units, or any school district which forms a part of a  
25 Class II county school unit but which is not subject to the

1 jurisdiction of the trustees of schools of any township in  
2 which such district is located, or any school district in any  
3 Class I county school units fail to prepare and forward or  
4 cause to be prepared and forwarded to the regional  
5 superintendent of schools, reports required by this Act, the  
6 regional superintendent of schools shall furnish such  
7 information or he shall employ a person or persons to furnish  
8 such information, as far as practicable. Such person shall have  
9 access to the books, records and papers of the school district  
10 to enable him or them to prepare such reports, and the school  
11 district shall permit such person or persons to examine such  
12 books, records and papers at such time and such place as such  
13 person or persons may desire for the purpose aforesaid. For  
14 such services the regional superintendent of schools shall bill  
15 the district an amount to cover the cost of preparation of such  
16 reports if he employs a person to prepare such reports.

17 Each school district shall, as of June 30 of each year,  
18 cause an audit of its accounts to be made by a person lawfully  
19 qualified to practice public accounting as regulated by the  
20 Illinois Public Accounting Act. Such audit shall include (i)  
21 development of a risk assessment of district operations, (ii)  
22 an annual review and update of the risk assessment, and (iii)  
23 an annual management letter that analyzes significant risk  
24 assessment findings, recommends changes for strengthening  
25 controls and reducing identified risks, and specifies  
26 timeframes for implementation of these recommendations, as

1 well as financial statements of the district applicable to the  
2 type of records required by other sections of this Act and in  
3 addition shall set forth the scope of audit and shall include  
4 the professional opinion signed by the auditor, or if such an  
5 opinion is denied by the auditor, shall set forth the reasons  
6 for such denial. Each school district shall on or before  
7 October 15 of each year, submit an original and one copy of the  
8 ~~such~~ audit to the regional superintendent of schools in the  
9 educational service region having jurisdiction in which case  
10 the regional superintendent of schools shall be relieved of  
11 responsibility in regard to the accounts of the school  
12 district. If any school district fails to supply the regional  
13 superintendent of schools with a copy of such audit report on  
14 or before October 15, or within such time extended by the  
15 regional superintendent of schools from that date, not to  
16 exceed 60 days, then it shall be the responsibility of the  
17 regional superintendent of schools having jurisdiction to  
18 cause such audit to be made by employing an accountant licensed  
19 to practice in the State of Illinois to conduct such audit and  
20 shall bill the district for such services, or shall with the  
21 personnel of his office make such audit to his satisfaction and  
22 bill the district for such service. In the latter case, if the  
23 audit is made by personnel employed in the office of the  
24 regional superintendent of schools having jurisdiction, then  
25 the regional superintendent of schools shall not be relieved of  
26 the responsibility as to the accountability of the school



1 district. The copy of the audit shall be forwarded by the  
2 regional superintendent to the State Board of Education on or  
3 before November 15 of each year and shall be filed by the State  
4 Board of Education. Beginning on July 1, 2009, all school  
5 districts shall utilize a competitive request for proposals  
6 process at least once every 5 years when contracting for such  
7 an annual audit.

8 Each school district that is the administrative district  
9 for several school districts operating under a joint agreement  
10 as authorized by this Act shall, as of June 30 each year, cause  
11 an audit of the accounts of the joint agreement to be made by a  
12 person lawfully qualified to practice public accounting as  
13 regulated by the Illinois Public Accounting Act. Such audit  
14 shall include (i) development of a risk assessment of district  
15 operations, (ii) an annual review and update of the risk  
16 assessment, and (iii) an annual management letter that analyzes  
17 significant risk assessment findings, recommends changes for  
18 strengthening controls and reducing identified risks, and  
19 specifies timeframes for implementation of these  
20 recommendations, as well as financial statements of the  
21 operation of the joint agreement applicable to the type of  
22 records required by this Act and, in addition, shall set forth  
23 the scope of the audit and shall include the professional  
24 opinion signed by the auditor, or if such an opinion is denied,  
25 the auditor shall set forth the reason for such denial. Each  
26 administrative district of a joint agreement shall on or before

1 October 15 each year, submit an original and one copy of such  
2 audit to the regional superintendent of schools in the  
3 educational service region having jurisdiction in which case  
4 the regional superintendent of schools shall be relieved of  
5 responsibility in regard to the accounts of the joint  
6 agreement. The copy of the audit shall be forwarded by the  
7 regional superintendent to the State Board of Education on or  
8 before November 15 of each year and shall be filed by the State  
9 Board of Education. The cost of such an audit shall be  
10 apportioned among and paid by the several districts who are  
11 parties to the joint agreement, in the same manner as other  
12 costs and expenses accruing to the districts jointly. Beginning  
13 on July 1, 2009, all school districts operating under a joint  
14 agreement shall utilize a competitive request for proposals  
15 process at least once every 5 years when contracting for such  
16 an annual audit.

17 The State Board of Education shall determine the adequacy  
18 of the audits. All audits shall be kept on file in the office  
19 of the State Board of Education.

20 (Source: P.A. 86-1441; 87-473.)

21 (105 ILCS 5/3-15.5) (from Ch. 122, par. 3-15.5)

22 Sec. 3-15.5. Removal of school board members. To remove any  
23 member of a school board from office for reckless or wilful  
24 failure to perform his or her official duties, after a complete  
25 investigation by the Education Inspector General that results

1 in such claims being proven by a preponderance of the evidence.

2 (Source: Laws 1961, p. 31.)

3 (105 ILCS 5/10-9) (from Ch. 122, par. 10-9)

4 Sec. 10-9. Interest of board member or general counsel in  
5 contracts.

6 (a) No school board member shall be interested, directly or  
7 indirectly, in his own name or in the name of any other person,  
8 association, trust or corporation, in any contract, work or  
9 business of the district or in the sale of any article,  
10 whenever the expense, price or consideration of the contract,  
11 work, business or sale is paid either from the treasury or by  
12 any assessment levied by any statute or ordinance. No school  
13 board member or general counsel shall be interested, directly  
14 or indirectly, in the purchase of any property which (1)  
15 belongs to the district, or (2) is sold for taxes or  
16 assessments, or (3) is sold by virtue of legal process at the  
17 suit of the district.

18 (b) However, any board member may provide materials,  
19 merchandise, property, services or labor, if:

20 A. the contract is with a person, firm, partnership,  
21 association, corporation or cooperative association in  
22 which the board member has less than a 7 1/2% share in the  
23 ownership; and

24 B. such interested board member publicly discloses the  
25 nature and extent of his interest prior to or during

1 deliberations concerning the proposed award of the  
2 contract; and

3 C. such interested board member abstains from voting on  
4 the award of the contract, though he shall be considered  
5 present for the purposes of establishing a quorum; and

6 D. such contract is approved by a majority vote of  
7 those board members presently holding office; and

8 E. the contract is awarded after sealed bids to the  
9 lowest responsible bidder if the amount of the contract  
10 exceeds \$1500, or awarded without bidding if the amount of  
11 the contract is less than \$1500; and

12 F. the award of the contract would not cause the  
13 aggregate amount of all such contracts so awarded to the  
14 same person, firm, association, partnership, corporation  
15 or cooperative association in the same fiscal year to  
16 exceed \$25,000.

17 (c) In addition to the above exemption, any board member  
18 may provide materials, merchandise, property, services or  
19 labor if:

20 A. the award of the contract is approved by a majority  
21 vote of the board provided that any such interested member  
22 shall abstain from voting; and

23 B. the amount of the contract does not exceed \$1,000;  
24 and

25 C. the award of the contract would not cause the  
26 aggregate amount of all such contracts so awarded to the

1 same person, firm, association, partnership, corporation,  
2 or cooperative association in the same fiscal year to  
3 exceed \$2,000, except with respect to a board member of a  
4 school district in which the materials, merchandise,  
5 property, services, or labor to be provided under the  
6 contract are not available from any other person, firm,  
7 association, partnership, corporation, or cooperative  
8 association in the district, in which event the award of  
9 the contract shall not cause the aggregate amount of all  
10 contracts so awarded to that same person, firm,  
11 association, partnership, or cooperative association in  
12 the same fiscal year to exceed \$5,000; and

13 D. such interested member publicly discloses the  
14 nature and extent of his interest prior to or during  
15 deliberations concerning the proposed award of the  
16 contract; and

17 E. such interested member abstains from voting on the  
18 award of the contract, though he shall be considered  
19 present for the purposes of establishing a quorum.

20 (d) In addition to exemptions otherwise authorized by this  
21 Section, any board member may purchase for use as the board  
22 member's primary place of residence a house constructed by the  
23 district's vocational education students on the same basis that  
24 any other person would be entitled to purchase the property.  
25 The sale of the house by the district must comply with the  
26 requirements set forth in Section 5-22 of The School Code.

1           (e) A contract for the procurement of public utility  
2 services by a district with a public utility company is not  
3 barred by this Section by one or more members of the board  
4 being an officer or employee of the public utility company or  
5 holding an ownership interest of no more than 7 1/2% in the  
6 public utility company, or holding an ownership interest of any  
7 size if the school district has a population of less than 7,500  
8 and the public utility's rates are approved by the Illinois  
9 Commerce Commission. An elected or appointed member of the  
10 board having such an interest shall be deemed not to have a  
11 prohibited interest under this Section.

12           (f) Nothing contained in this Section, including the  
13 restrictions set forth in subsections (b), (c), (d) and (e),  
14 shall preclude a contract of deposit of monies, loans or other  
15 financial services by a school district with a local bank or  
16 local savings and loan association, regardless of whether a  
17 member or members of the governing body of the school district  
18 are interested in such bank or savings and loan association as  
19 an officer or employee or as a holder of less than 7 1/2% of the  
20 total ownership interest. A member or members holding such an  
21 interest in such a contract shall not be deemed to be holding a  
22 prohibited interest for purposes of this Act. Such interested  
23 member or members of the governing body must publicly state the  
24 nature and extent of their interest during deliberations  
25 concerning the proposed award of such a contract, but shall not  
26 participate in any further deliberations concerning the

1 proposed award. Such interested member or members shall not  
2 vote on such a proposed award. Any member or members abstaining  
3 from participation in deliberations and voting under this  
4 Section may be considered present for purposes of establishing  
5 a quorum. Award of such a contract shall require approval by a  
6 majority vote of those members presently holding office.  
7 Consideration and award of any such contract in which a member  
8 or members are interested may only be made at a regularly  
9 scheduled public meeting of the governing body of the school  
10 district.

11 (g) Any school board member or general counsel who violates  
12 this Section is guilty of a Class 4 felony and in addition  
13 thereto any office held by such person so convicted shall  
14 become vacant and shall be so declared as part of the judgment  
15 of the court.

16 (Source: P.A. 89-244, eff. 8-4-95.)

17 (105 ILCS 5/10-17b new)

18 Sec. 10-17b. Financial policies. Each school board shall  
19 adopt a formal, written financial policy. The policy may  
20 include information in the following areas:

21 (1) Debt capacity, issuance, and management.

22 (2) Capital asset management.

23 (3) Reserve or stabilization funds.

24 (4) Periodic budget to actual comparison reports.

25 (5) Fees and charges.

1           (6) The use of one-time revenue.

2           (7) Risk management.

3           (8) Purchasing.

4           (9) Vehicle acquisition and maintenance.

5           The school board shall make the policy publicly available.

6           (105 ILCS 5/10-17c new)

7           Sec. 10-17c. Long-term financial plan. Each school board  
8           shall develop a long-term financial plan that extends over at  
9           least a 3-year period and that is updated and approved  
10           annually. The plan must include multi-year forecasts of  
11           revenues, expenditures, and debt. The school board may make the  
12           plan available to the public by publishing it as a separate  
13           document and submitting it with the annual budget or by posting  
14           the plan as a document on the school district's Internet  
15           website, if any. The forecasts that are the foundation of the  
16           plan must be available to participants in the budget process  
17           before budgetary decisions are made. The public must be  
18           provided opportunities for providing dialog with respect to the  
19           long-term financial planning process.

20           (105 ILCS 5/10-17d new)

21           Sec. 10-17d. Capital improvement plan. Each school board  
22           shall develop a 5-year capital improvement plan that is updated  
23           and approved annually. The plan must include a summary list of  
24           the description of the capital projects to be completed over



1 the next 5 years, along with projected expenditures, and  
2 revenue sources. The school board shall make the plan available  
3 to the public. The school board shall hold a public hearing on  
4 the capital improvement plan, which hearing may be held at a  
5 regularly scheduled meeting of the board.

6 (105 ILCS 5/10-20.46 new)

7 Sec. 10-20.46. School district financial accountability.

8 (a) A school board shall annually include a user-friendly  
9 executive summary as part of the district's budget. The  
10 executive summary shall include all of the following:

11 (1) The district's major goals and objectives.

12 (2) A discussion of the major financial factors and  
13 trends affecting the budget, such as changes in revenues,  
14 enrollment, and debt.

15 (3) A description of the budget process.

16 (4) An overview of revenues and expenditures for all  
17 funds, including 3 to 5 years of prior trends.

18 (5) An explanation of significant financial and  
19 demographic trends.

20 (6) An explanation of the reasons for a budget deficit  
21 and an explanation of how the deficit is being addressed.

22 (7) A budget forecast for 3 to 5 years in the future.

23 (8) Student enrollment trends, including a future  
24 forecast.

25 (9) The number of personnel by type.

1           (10) Changes in debt burden.

2           (b) A school board shall annually include in the full  
3 budget document the following items; any or all of the  
4 following items may be published as separate documents provided  
5 that they are explicitly referenced in the annual budget and  
6 provided that they are made publicly available at the same time  
7 as the budget document:

8           (1) An organizational chart.

9           (2) Formal financial policies.

10          (3) The district's long-term financial plan or a  
11 summary of the long-term financial plan.

12          (4) The district's capital improvement plan or a  
13 summary of the capital improvement plan.

14          (5) Beginning one year after the effective date of this  
15 amendatory Act of the 95th General Assembly, a listing of  
16 school board members who have completed required financial  
17 management training under subsection (c) of this Section.

18          (c) All school board members must complete at least 4 hours  
19 of training on their financial oversight, accountability, and  
20 fiduciary responsibilities. The training must be completed  
21 within a year after the effective date of this amendatory Act  
22 of the 95th General Assembly or within a year after election  
23 and may be provided by an association established under this  
24 Code for the purpose of training school board members or by  
25 other qualified providers approved by the State Board of  
26 Education, in conjunction with an association so established.

1 (105 ILCS 5/10-22.45) (from Ch. 122, par. 10-22.45)

2 Sec. 10-22.45. A school board shall ~~to~~ establish an audit  
3 committee, which may include ~~and to appoint~~ members of the  
4 board, ~~or~~ other appropriate officers, or persons who do not  
5 serve on the board to the committee, to review audit reports  
6 and any other financial reports and documents, including  
7 management letters prepared by or on behalf of the board.  
8 Nothing in this Section prohibits a school district from  
9 maintaining its own internal audit function.

10 (Source: P.A. 82-644.)

11 (105 ILCS 5/22-50 new)

12 Sec. 22-50. Education Inspector General.

13 (a) The Education Inspector General and his or her office  
14 is hereby created on the effective date of this amendatory Act  
15 of the 95th General Assembly, which shall be under the  
16 jurisdiction of the Office of the Attorney General. The  
17 Education Inspector General shall have the authority to conduct  
18 investigations into allegations of or incidents of fraud, abuse  
19 of authority, and financial mismanagement in public education  
20 within this State, other than the City of Chicago, by an  
21 employee, contractor, or member of a school board. The  
22 Education Inspector General shall make recommendations to the  
23 Attorney General about the investigations. The initial  
24 Education Inspector General shall be appointed by the Attorney

1 General for a term expiring on December 31, 2010. His or her  
2 successors in office shall each be appointed by the Attorney  
3 General for 4-year terms expiring on December 31. If the  
4 Education Inspector General leaves office or if a vacancy in  
5 that office otherwise occurs, the Attorney General shall  
6 appoint a successor to serve under this Section for the  
7 remainder of the unexpired term. The Education Inspector  
8 General shall be independent of the operations of the Office of  
9 the Attorney General.

10 (b) The Education Inspector General shall have access to  
11 all information and personnel necessary to perform the duties  
12 of the office. If the Education Inspector General finds  
13 evidence that a criminal act has been committed or that special  
14 expertise is required in the investigation, he or she shall  
15 immediately notify the local law enforcement agency with  
16 jurisdiction and the State's Attorney's office with  
17 jurisdiction. All investigations conducted by the Education  
18 Inspector General shall be conducted in a manner that ensures  
19 the preservation of evidence for use in criminal prosecutions.

20 (c) With minimal disruption to the educational process, the  
21 Education Inspector General shall be granted access to any  
22 building or facility that is owned, operated, or leased by the  
23 school district in trust and for the use and benefit of the  
24 schools of the district.

25 (d) The Education Inspector General shall have the power to  
26 subpoena witnesses and compel the production of books and

1 papers pertinent to an investigation authorized by this  
2 Section. Any person who knowingly makes a false allegation  
3 under this Code is guilty of a Class A misdemeanor. Any person  
4 who, under this Section, (i) fails to appear in response to a  
5 subpoena, (ii) fails to answer any question, (iii) fails to  
6 produce any books or papers pertinent to an investigation under  
7 this Section, or (iv) knowingly gives false testimony during an  
8 investigation under this Section is guilty of a Class A  
9 misdemeanor.

10 (e) The Education Inspector General shall provide to the  
11 Attorney General and the General Assembly a summary of reports  
12 and investigations made under this Section for the previous  
13 fiscal year no later than January 1 of each year. The summary  
14 shall detail the final disposition of the Education Inspector  
15 General's recommendations. The summary must not contain any  
16 confidential or identifying information concerning the  
17 subjects of the reports and investigations. The summary shall  
18 also include detailed recommended administrative actions and  
19 matters for consideration by the General Assembly.

20 (f) The Education Inspector General shall investigate  
21 allegations of or incidents of fraud, abuse of authority, and  
22 financial mismanagement in public education within this State,  
23 other than the City of Chicago, by an employee, contractor, or  
24 member of a school board. Should the Education Inspector  
25 General find reckless or willful failure to perform his or her  
26 official duties on the part of a board member, the Education

1 Inspector General shall contact, via certified mail, the  
2 regional superintendent of schools with jurisdiction.

3 (105 ILCS 5/23-3) (from Ch. 122, par. 23-3)

4 Sec. 23-3. Filing copy of constitution, by-laws and  
5 amendments. Within 30 days after the adoption by any such  
6 association of its constitution or by-laws or any amendment  
7 thereto, it shall file a copy thereof, certified by its  
8 president and executive director, with the Governor, the State  
9 Superintendent of Education, ~~Public Instruction~~ and the  
10 regional county superintendent of schools of each region county  
11 in which it has any membership.

12 (Source: Laws 1961, p. 31.)

13 (105 ILCS 5/23-6) (from Ch. 122, par. 23-6)

14 Sec. 23-6. Annual report. Each association shall make an  
15 annual report within 60 days after the close of its fiscal year  
16 to the Governor, the State Board of Education and the regional  
17 superintendent of schools of each region in which it has  
18 members, setting forth the activities of the association for  
19 the preceding fiscal year, the institutes held, the subjects  
20 discussed, and the attendance, and shall furnish the Governor,  
21 the State Board of Education and such regional superintendents  
22 with copies of all publications sent to its members. The  
23 association shall include the board training topics offered and  
24 the number of school board members that availed themselves of

1 professional development and training.

2 (Source: P.A. 81-1508.)

3 (105 ILCS 5/34-18.37 new)

4 Sec. 34-18.37. Financial policies. The board shall adopt a  
5 formal, written financial policy. The policy may include  
6 information in the following areas:

7 (1) Debt capacity, issuance, and management.

8 (2) Capital asset management.

9 (3) Reserve or stabilization funds.

10 (4) Periodic budget to actual comparison reports.

11 (5) Fees and charges.

12 (6) The use of one-time revenue.

13 (7) Risk management.

14 (8) Purchasing.

15 (9) Vehicle acquisition and maintenance.

16 The board shall make the policy publicly available.

17 (105 ILCS 5/34-18.38 new)

18 Sec. 34-18.38. Long-term financial plan. The board shall  
19 develop a long-term financial plan that extends over at least a  
20 3-year period and that is updated and approved annually. The  
21 plan must include multi-year forecasts of revenues,  
22 expenditures, and debt. The board may make the plan available  
23 to the public by publishing it as a separate document and  
24 submitting it with the annual budget or by posting the plan as

1 a document on the school district's Internet website. The  
2 forecasts that are the foundation of the plan must be available  
3 to participants in the budget process before budgetary  
4 decisions are made. The public must be provided opportunities  
5 for providing dialog with respect to the long-term financial  
6 planning process.

7 (105 ILCS 5/34-18.39 new)

8 Sec. 34-18.39. Capital improvement plan. The board shall  
9 develop a 5-year capital improvement plan that is updated and  
10 approved annually. The plan must include a summary list of the  
11 description of the capital projects to be completed over the  
12 next 5 years, along with projected expenditures, and revenue  
13 sources. The board shall make the plan available to the public.  
14 The board shall hold a public hearing on the capital  
15 improvement plan, which hearing may be held at a regularly  
16 scheduled meeting of the board.

17 (105 ILCS 5/34-18.40 new)

18 Sec. 34-18.40. School district financial accountability.  
19 (a) The board shall annually include a user-friendly  
20 executive summary as part of the district's budget. The  
21 executive summary shall include all of the following:  
22 (1) The district's major goals and objectives.  
23 (2) A discussion of the major financial factors and  
24 trends affecting the budget, such as changes in revenues,



1 enrollment, and debt.

2 (3) A description of the budget process.

3 (4) An overview of revenues and expenditures for all  
4 funds, including 3 to 5 years of prior trends.

5 (5) An explanation of significant financial and  
6 demographic trends.

7 (6) An explanation of the reasons for a budget deficit  
8 and an explanation of how the deficit is being addressed.

9 (7) A budget forecast for 3 to 5 years in the future.

10 (8) Student enrollment trends, including a future  
11 forecast.

12 (9) The number of personnel by type.

13 (10) Changes in debt burden.

14 (b) The board shall annually include in the full budget  
15 document the following items; any or all of the following items  
16 may be published as separate documents provided that they are  
17 explicitly referenced in the annual budget and provided that  
18 they are made publicly available at the same time as the budget  
19 document:

20 (1) An organizational chart.

21 (2) Formal financial policies.

22 (3) The district's long-term financial plan or a  
23 summary of the long-term financial plan.

24 (4) The district's capital improvement plan or a  
25 summary of the capital improvement plan.

1 (105 ILCS 5/34-18.41 new)

2 Sec. 34-18.41. Audit committee. The board shall establish  
3 an audit committee, which may include members of the board,  
4 other appropriate officers, or persons who do not serve on the  
5 board, to review the board's independent auditor's report on  
6 the comprehensive annual financial report and other financial  
7 reports and documents, including management letters.

8 Section 99. Effective date. This Act takes effect upon  
9 becoming law, except that the provisions changing Sections 3-7,  
10 10-22.45, and 23-6 and adding Sections 10-17b, 10-17c, 10-17d,  
11 10-20.46, 34-18.37, 34-18.39, 34-18.40, and 34-18.41 of the  
12 School Code take effect July 1, 2009.

1		INDEX
2		Statutes amended in order of appearance
3	105 ILCS 5/1A-8	from Ch. 122, par. 1A-8
4	105 ILCS 5/3-7	from Ch. 122, par. 3-7
5	105 ILCS 5/3-15.5	from Ch. 122, par. 3-15.5
6	105 ILCS 5/10-9	from Ch. 122, par. 10-9
7	105 ILCS 5/10-17b new	
8	105 ILCS 5/10-17c new	
9	105 ILCS 5/10-17d new	
10	105 ILCS 5/10-20.46 new	
11	105 ILCS 5/10-22.45	from Ch. 122, par. 10-22.45
12	105 ILCS 5/22-50 new	
13	105 ILCS 5/23-3	from Ch. 122, par. 23-3
14	105 ILCS 5/23-6	from Ch. 122, par. 23-6
15	105 ILCS 5/34-18.37 new	
16	105 ILCS 5/34-18.38 new	
17	105 ILCS 5/34-18.39 new	
18	105 ILCS 5/34-18.40 new	
19	105 ILCS 5/34-18.41 new	