

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 Section
5 1A-8 as follows:

6 (105 ILCS 5/1A-8) (from Ch. 122, par. 1A-8)

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

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

1 been identified, through the district's annual audit or other
2 financial and management information, as in serious financial
3 difficulty in the current or next school year, or (iv) is
4 determined to be likely to fail to fully meet any regularly
5 scheduled, payroll-period obligations when due or any debt
6 service payments when due or both. In addition to financial,
7 technical, and consulting services provided by the State Board
8 of Education, at the request of a school district, the State
9 Superintendent may provide for an independent financial
10 consultant to assist the district review its financial
11 condition and options.

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

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

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

1 warrants and revenue anticipation notes.~~†~~

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

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

11 (5) The district is likely to fail to fully meet any
12 regularly scheduled, payroll-period obligations when due
13 or any debt service payments when due or both.

14 No school district shall be certified by the State Board of
15 Education to be in financial difficulty solely by reason of any
16 of the above circumstances arising as a result of (i) the
17 failure of the county to make any distribution of property tax
18 money due the district at the time such distribution is due or
19 (ii) the failure of this State to make timely payments of
20 general State aid or any of the mandated categoricals; or if
21 the district clearly demonstrates to the satisfaction of the
22 State Board of Education at the time of its determination that
23 such condition no longer exists. If the State Board of
24 Education certifies that a district in a city with 500,000
25 inhabitants or more is in financial difficulty, the State Board
26 shall so notify the Governor and the Mayor of the city in which

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

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

1 Education may rescind approval of the plan and appoint a
2 Financial Oversight Panel for the district as provided in
3 Section 1B-4. This action shall be taken only after the
4 district has been given notice and an opportunity to appear
5 before the State Board of Education to discuss its failure to
6 comply with its financial plan.

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

14 Any financial profile compiled and distributed by the State
15 Board of Education in Fiscal Year 2009 or any fiscal year
16 thereafter shall incorporate such adjustments as may be needed
17 in the profile scores to reflect the financial effects of the
18 inability or refusal of the State of Illinois to make timely
19 disbursements of any general State aid or mandated categorical
20 aid payments due school districts or to fully reimburse school
21 districts for mandated categorical programs pursuant to
22 reimbursement formulas provided in this School Code.

23 (Source: P.A. 96-668, eff. 8-25-09.)

24 Section 99. Effective date. This Act takes effect upon
25 becoming law.