



97TH GENERAL ASSEMBLY

State of Illinois

2011 and 2012

HB5567

Introduced 2/15/2012, by Rep. Jerry F. Costello, II

SYNOPSIS AS INTRODUCED:

105 ILCS 5/1A-8

from Ch. 122, par. 1A-8

Amends the School Code. Provides that if a school district has been designated as on financial warning or financial watch status, then the district must join the Department of Central Management Services' Joint Purchasing Program. Provides that the district is obligated to procure items from State contracts under the program, unless an item can be procured for less when factoring in shipping and handling costs. Effective immediately.

LRB097 15677 NHT 65935 b

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 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 (a) The State Superintendent of Education may require a
14 school district, including any district subject to Article 34A
15 of this Code, to share financial information relevant to a
16 proper investigation of the district's financial condition and
17 the 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, (iii) has been

1 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 If a school district has been designated as on financial
13 warning or financial watch status, then the district must join
14 the Department of Central Management Services' Joint
15 Purchasing Program. The district is obligated to procure items
16 from State contracts under the program, unless an item can be
17 procured for less when factoring in shipping and handling
18 costs.

19 (b) The State Board of Education, after proper
20 investigation of a district's financial condition, may certify
21 that a district, including any district subject to Article 34A,
22 is in financial difficulty when any of the following conditions
23 occur:

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

1 (2) The district has issued tax anticipation warrants
2 or tax anticipation notes in anticipation of a second
3 year's taxes when warrants or notes in anticipation of
4 current year taxes are still outstanding, as authorized by
5 Sections 17-16, 34-23, 34-59 and 34-63 of this Code, or has
6 issued short-term debt against 2 future revenue sources,
7 such as, but not limited to, tax anticipation warrants and
8 general State Aid certificates or tax anticipation
9 warrants and revenue anticipation notes.

10 (3) The district has for 2 consecutive years shown an
11 excess of expenditures and other financing uses over
12 revenues and other financing sources and beginning fund
13 balances on its annual financial report for the aggregate
14 totals of the Educational, Operations and Maintenance,
15 Transportation, and Working Cash Funds.

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

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

22 No school district shall be certified by the State Board of
23 Education to be in financial difficulty solely by reason of any
24 of the above circumstances arising as a result of (i) the
25 failure of the county to make any distribution of property tax
26 money due the district at the time such distribution is due or

1 (ii) the failure of this State to make timely payments of
2 general State aid or any of the mandated categoricals; or if
3 the district clearly demonstrates to the satisfaction of the
4 State Board of Education at the time of its determination that
5 such condition no longer exists. If the State Board of
6 Education certifies that a district in a city with 500,000
7 inhabitants or more is in financial difficulty, the State Board
8 shall so notify the Governor and the Mayor of the city in which
9 the district is located. The State Board of Education may
10 require school districts certified in financial difficulty,
11 except those districts subject to Article 34A, to develop,
12 adopt and submit a financial plan within 45 days after
13 certification of financial difficulty. The financial plan
14 shall be developed according to guidelines presented to the
15 district by the State Board of Education within 14 days of
16 certification. Such guidelines shall address the specific
17 nature of each district's financial difficulties. Any proposed
18 budget of the district shall be consistent with the financial
19 plan submitted to and approved by the State Board of Education.

20 A district certified to be in financial difficulty, other
21 than a district subject to Article 34A, shall report to the
22 State Board of Education at such times and in such manner as
23 the State Board may direct, concerning the district's
24 compliance with each financial plan. The State Board may review
25 the district's operations, obtain budgetary data and financial
26 statements, require the district to produce reports, and have

1 access to any other information in the possession of the
2 district that it deems relevant. The State Board may issue
3 recommendations or directives within its powers to the district
4 to assist in compliance with the financial plan. The district
5 shall produce such budgetary data, financial statements,
6 reports and other information and comply with such directives.
7 If the State Board of Education determines that a district has
8 failed to comply with its financial plan, the State Board of
9 Education may rescind approval of the plan and appoint a
10 Financial Oversight Panel for the district as provided in
11 Section 1B-4. This action shall be taken only after the
12 district has been given notice and an opportunity to appear
13 before the State Board of Education to discuss its failure to
14 comply with its financial plan.

15 No bonds, notes, teachers orders, tax anticipation
16 warrants or other evidences of indebtedness shall be issued or
17 sold by a school district or be legally binding upon or
18 enforceable against a local board of education of a district
19 certified to be in financial difficulty unless and until the
20 financial plan required under this Section has been approved by
21 the State Board of Education.

22 Any financial profile compiled and distributed by the State
23 Board of Education in Fiscal Year 2009 or any fiscal year
24 thereafter shall incorporate such adjustments as may be needed
25 in the profile scores to reflect the financial effects of the
26 inability or refusal of the State of Illinois to make timely

1 disbursements of any general State aid or mandated categorical
2 aid payments due school districts or to fully reimburse school
3 districts for mandated categorical programs pursuant to
4 reimbursement formulas provided in this School Code.

5 (Source: P.A. 96-668, eff. 8-25-09; 96-1423, eff. 8-3-10;
6 97-429, eff. 8-16-11.)

7 Section 99. Effective date. This Act takes effect upon
8 becoming law.