

1 AN ACT concerning school district financial oversight
2 panels.

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

5 Section 5. The School Code is amended by changing
6 Sections 1B-4, 1B-5, and 1B-8 as follows:

7 (105 ILCS 5/1B-4) (from Ch. 122, par. 1B-4)

8 Sec. 1B-4. Establishment of Emergency Financial
9 Assistance and Financial Oversight Panel. When approved by
10 the State Board under this Article there is established a
11 body both corporate and politic to be known as the "(Name of
12 School District) Financial Oversight Panel" which, in such
13 name, shall exercise all authority vested in such Panels by
14 this Article.

15 Upon the affirmative vote of not less than a majority of
16 its full membership, a local board of education of a school
17 district that has been certified to be in financial
18 difficulty under Section 1A-8 may petition the State Board of
19 Education for emergency financial assistance and the
20 establishment of a Financial Oversight Panel for the district
21 as provided under this Article. In addition, the State
22 Superintendent of Education may petition the State Board of
23 Education for the establishment of a Financial Oversight
24 Panel, with or without emergency financial assistance, for
25 any district that has failed to comply with its financial
26 plan and has had the plan rescinded by the State Board as
27 provided in Section 1A-8. No petition for emergency
28 financial assistance shall be approved by the State Board
29 unless there is also established a Financial Oversight Panel.

30 In determining whether to allow the petition the State
31 Board shall consider the following factors among others that

1 it deems relevant:

2 (a) whether the petition is in the best educational
3 interests of the pupils of the district;

4 (b) whether the petition is in the near and long term
5 best financial interests of the district;

6 (c) whether the district has sufficient pupil enrollment
7 and assessed valuation to provide and maintain recognized
8 schools;

9 (d) whether the petition is in the best interests of the
10 other schools of the area and the educational welfare of all
11 of the pupils therein; and

12 (e) whether the board of education has complied with the
13 requirements of Section 1A-8.

14 The State Board may vote to either grant or deny the
15 petition based upon the recommendation of the State
16 Superintendent of Education and any other testimony or
17 documentary evidence the State Board deems relevant. The
18 decision of the State Board whether to grant or deny the
19 petition shall be final. If an approved petition requests
20 emergency financial assistance, the school district shall be
21 eligible for emergency State financial assistance, subject to
22 the other provisions of this Article.

23 A Financial Oversight Panel created pursuant to a
24 petition filed by a school district may petition the State
25 Board of Education to be reconstituted as a Panel having the
26 powers, duties, legal status, and privileges of a Panel
27 established by the State Board for a district that has had
28 its financial plan rescinded by the State Board for violating
29 that plan as provided in Section 1A-8. The State Board may
30 grant such petition upon determining that approval of the
31 petition is in the best financial interests of the district.
32 Upon approval of the petition, the Panel shall have the same
33 powers, duties, legal status, and privileges of a Panel
34 established for a district that has had its financial plan

1 rescinded by the State Board for violating that plan as
 2 provided in Section 1A-8. The changes made to this Section
 3 by this amendatory Act of the 92nd General Assembly apply to
 4 all Financial Oversight Panels, whether created before, on,
 5 or after the effective date of this amendatory Act.

6 (Source: P.A. 88-618, eff. 9-9-94.)

7 (105 ILCS 5/1B-5) (from Ch. 122, par. 1B-5)

8 Sec. 1B-5. Appointment of Panel; meetings; reports;
 9 dissolution of Panel. When a petition establishing a
 10 Financial Oversight Panel ~~for-emergency-financial--assistance~~
 11 ~~for--a--school--district~~ is allowed by the State Board under
 12 Section 1B-4, the State Superintendent shall within 10 days
 13 thereafter appoint 5 3 members to serve at the State
 14 Superintendent's pleasure on a Financial Oversight Panel for
 15 the district, or for a Panel in which 3 members have been
 16 appointed before the effective date of this amendatory Act of
 17 the 92nd General Assembly, the State Superintendent shall
 18 appoint 2 additional members. The State Superintendent shall
 19 designate one of the members of the Panel to serve as its
 20 Chairman. In the event of vacancy or resignation the State
 21 Superintendent shall appoint a successor within 10 days of
 22 receiving notice thereof.

23 Members of the Panel shall be selected primarily on the
 24 basis of their experience and education in financial
 25 management, with consideration given to persons knowledgeable
 26 in education finance. A member of the Panel may not be a
 27 board member or employee of the district for which the Panel
 28 is constituted, nor may a member have a direct financial
 29 interest in that district.

30 Panel members shall serve without compensation, but may
 31 be reimbursed for travel and other necessary expenses
 32 incurred in the performance of their official duties by the
 33 State Board. The amount reimbursed Panel members for their

1 expenses shall be charged to the school district as part of
2 any emergency financial assistance and incorporated as a part
3 of the terms and conditions for repayment of such assistance
4 or shall be deducted from the district's general State aid as
5 provided in Section 1B-8.

6 The first meeting of the Panel shall be held at the call
7 of the Chairman. The Panel may elect such other officers as
8 it deems appropriate. The Panel shall prescribe the times
9 and places for its meetings and the manner in which regular
10 and special meetings may be called, and shall comply with the
11 Open Meetings Act.

12 Three ~~Two~~ members of the Panel shall constitute a quorum,
13 and the affirmative vote of 3 ~~2~~ members shall be necessary
14 for any decision or action to be taken by the Panel.

15 The Panel and the State Superintendent shall cooperate
16 with each other in the exercise of their respective powers.
17 The Panel shall report not later than September 1 annually to
18 the State Board and the State Superintendent with respect to
19 its activities and the condition of the school district for
20 the previous fiscal year.

21 Any Financial Oversight Panel established under this
22 Article shall remain in existence for not less than 3 years
23 nor more than 10 years from the date the State Board grants
24 the petition under Section 1B-4. If after 3 years the school
25 district has repaid all of its obligations resulting from
26 emergency State financial assistance provided under this
27 Article and has improved its financial situation, the board
28 of education may, not more frequently than once in any 12
29 month period, petition the State Board to dissolve the
30 Financial Oversight Panel, terminate the oversight
31 responsibility, and remove the district's certification under
32 Section 1A-8 as a district in financial difficulty. In
33 acting on such a petition the State Board shall give
34 additional weight to the recommendations of the State

1 Superintendent and the Financial Oversight Panel.

2 The changes made to this Section by this amendatory Act
3 of the 92nd General Assembly apply to all Financial Oversight
4 Panels, whether created before, on, or after the effective
5 date of this amendatory Act.

6 (Source: P.A. 88-618, eff. 9-9-94.)

7 (105 ILCS 5/1B-8) (from Ch. 122, par. 1B-8)

8 Sec. 1B-8. School District Emergency Financial Assistance
9 Fund; loans and grants. There is created in the State
10 Treasury a special fund to be known as the School District
11 Emergency Financial Assistance Fund (the "Fund"). The School
12 District Emergency Financial Assistance Fund shall consist of
13 appropriations, grants from the federal government and
14 donations from any public or private source. Moneys in the
15 Fund may be appropriated only to the State Board for the
16 purposes of this Article. The appropriation may be allocated
17 and expended by the State Board as grants or loans to school
18 districts which are the subject of an approved petition for
19 emergency financial assistance under Section 1B-4. From the
20 amount allocated to each such school district the State Board
21 shall identify a sum sufficient to cover all approved costs
22 of the Financial Oversight Panel established for the
23 respective school district. If the State Board and State
24 Superintendent of Education have not approved emergency
25 financial assistance in conjunction with the appointment of a
26 Financial Oversight Panel, the Panel's approved costs shall
27 be paid from deductions from the district's general State
28 aid.

29 The Financial Oversight Panel may prepare and file with
30 the State Superintendent a proposal for emergency financial
31 assistance for the school district and for the operations
32 budget of the Panel. No expenditures shall be authorized by
33 the State Superintendent until he has approved the proposal

1 of the Panel, either as submitted or in such lesser amount
2 determined by the State Superintendent.

3 The maximum amount of an emergency financial assistance
4 loan which may be allocated to any school district under this
5 Article, including moneys necessary for the operations of the
6 Panel, shall not exceed \$1000 times the number of pupils
7 enrolled in the school district during the school year ending
8 June 30 prior to the date of approval by the State Board of
9 the petition for emergency financial assistance, as certified
10 to the local board and the Panel by the State Superintendent.
11 An emergency financial assistance grant shall not exceed \$250
12 times the number of such pupils. A district may receive both
13 a loan and a grant. Any moneys provided to a local board of
14 education as a loan shall not be subject to any limitation on
15 debt established under Article 19 of this Code.

16 The payment of an emergency State financial assistance
17 grant or loan shall be subject to appropriation by the
18 General Assembly. Emergency State financial assistance
19 allocated and paid to a school district under this Article
20 may be applied to any fund or funds from which the local
21 board of education of that district is authorized to make
22 expenditures by law.

23 Any emergency financial assistance proposed by the
24 Financial Oversight Panel and approved by the State
25 Superintendent may be paid in its entirety during the initial
26 year of the Panel's existence or spread in equal or declining
27 amounts over a period of years not to exceed the period of
28 the Panel's existence. All loan payments made from the
29 School District Emergency Financial Assistance Fund for a
30 school district shall be required to be repaid, with simple
31 interest over the term of the loan at a rate equal to 50% of
32 the discount rate on one-year United States Treasury Bills as
33 determined by the last auction of those one-year bills that
34 precedes the date on which the district's loan is approved by

1 the State Board of Education, not later than the date the
 2 Financial Oversight Panel ceases to exist. The Panel shall
 3 establish and the State Superintendent shall approve the
 4 terms and conditions, including the schedule, of repayments.
 5 The schedule shall provide for repayments commencing July 1
 6 of each year. Repayment shall be incorporated into the annual
 7 budget of the school district and may be made from any fund
 8 or funds of the district in which there are moneys available.
 9 When moneys are repaid as provided herein they shall not be
 10 made available to the local board for further use as
 11 emergency financial assistance under this Article at any time
 12 thereafter. All repayments required to be made by a school
 13 district shall be received by the State Board and deposited
 14 in the School District Emergency Financial Assistance Fund.

15 The board of any school district that receives a loan
 16 authorized under this Section shall provide for a separate
 17 tax for emergency financial assistance repayment purposes.
 18 The separate tax levy shall be in an amount sufficient to
 19 repay the emergency financial assistance under the terms and
 20 conditions set by the Panel and approved by the State
 21 Superintendent. Notwithstanding any law to the contrary, the
 22 separate tax levy for emergency financial assistance
 23 repayment shall not be subject to referendum approval.

24 The changes made to this Section by this amendatory Act
 25 of the 92nd General Assembly apply to all Financial Oversight
 26 Panels, whether created before, on, or after the effective
 27 date of this amendatory Act.

28 ~~In--establishing--the--terms--and--conditions---for---the~~
 29 ~~repayment--obligation--of--the--school--district--the--Panel--shall~~
 30 ~~annually--determine--whether--a--separate--local--property--tax--levy~~
 31 ~~is--required.--The--board--of--any--school--district--with--a--tax~~
 32 ~~rate--for--educational--purposes--for--the--prior--year--of--less--than~~
 33 ~~120%--of--the--maximum--rate--for--educational--purposes--authorized~~
 34 ~~by--Section--17--2--shall--provide--for--a--separate--tax--levy--for~~

1 emergency--financial-assistance-repayment-purposes.--Such-tax
2 levy-shall-not-be-subject-to-referendum-approval.--The-amount
3 of-the-levy-shall-be-equal-to-the-amount--necessary--to--meet
4 the---annual---repayment---obligations--of--the--district--as
5 established-by-the-Panel,--or-20%-of--the--amount--levied--for
6 educational--purposes--for-the-prior-year,--whichever-is-less.
7 However,--no-district-shall-be-required-to-levy-the-tax-if-the
8 district's-operating-tax-rate--as--determined--under--Section
9 18-8--or--18-8.05-exceeds-200%-of-the-district's-tax-rate-for
10 educational-purposes-for-the-prior-year.

11 (Source: P.A. 90-548, eff. 1-1-98; 90-802, eff. 12-15-98.)

12 Section 99. Effective date. This Act takes effect upon
13 becoming law.