

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. In addition to
4 financial, technical, and consulting services provided by the
5 State Board of Education, at the request of a school district,
6 the State Superintendent may provide for an independent
7 financial consultant to assist the district review its
8 financial condition and options.

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

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

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

25 (3) The district has for 2 consecutive years shown an
26 excess of expenditures and other financing uses over

1 revenues and other financing sources and beginning fund
2 balances on its annual financial report for the aggregate
3 totals of the Educational, Operations and Maintenance,
4 Transportation, and Working Cash Funds;

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

8 No school district shall be certified by the State Board of
9 Education to be in financial difficulty solely by reason of any
10 of the above circumstances arising as a result of (i) the
11 failure of the county to make any distribution of property tax
12 money due the district at the time such distribution is due or
13 (ii) the failure of this State to make timely payments of
14 general State aid or any of the mandated categoricals; or if
15 the district clearly demonstrates to the satisfaction of the
16 State Board of Education at the time of its determination that
17 such condition no longer exists. If the State Board of
18 Education certifies that a district in a city with 500,000
19 inhabitants or more is in financial difficulty, the State Board
20 shall so notify the Governor and the Mayor of the city in which
21 the district is located. The State Board of Education may
22 require school districts certified in financial difficulty,
23 except those districts subject to Article 34A, to develop,
24 adopt and submit a financial plan within 45 days after
25 certification of financial difficulty. The financial plan
26 shall be developed according to guidelines presented to the

1 district by the State Board of Education within 14 days of
2 certification. Such guidelines shall address the specific
3 nature of each district's financial difficulties. Any proposed
4 budget of the district shall be consistent with the financial
5 plan submitted to and approved by the State Board of Education.

6 A district certified to be in financial difficulty, other
7 than a district subject to Article 34A, shall report to the
8 State Board of Education at such times and in such manner as
9 the State Board may direct, concerning the district's
10 compliance with each financial plan. The State Board may review
11 the district's operations, obtain budgetary data and financial
12 statements, require the district to produce reports, and have
13 access to any other information in the possession of the
14 district that it deems relevant. The State Board may issue
15 recommendations or directives within its powers to the district
16 to assist in compliance with the financial plan. The district
17 shall produce such budgetary data, financial statements,
18 reports and other information and comply with such directives.
19 If the State Board of Education determines that a district has
20 failed to comply with its financial plan, the State Board of
21 Education may rescind approval of the plan and appoint a
22 Financial Oversight Panel for the district as provided in
23 Section 1B-4. This action shall be taken only after the
24 district has been given notice and an opportunity to appear
25 before the State Board of Education to discuss its failure to
26 comply with its financial plan.

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

8 Any financial profile compiled and ~~watch list~~ distributed
9 by the State Board of Education in Fiscal Year 2009 or any
10 fiscal year thereafter ~~pursuant to this Section~~ shall
11 incorporate such adjustments as may be needed in the profile
12 scores to reflect the financial effects of the ~~designate those~~
13 ~~school districts on the watch list that would not otherwise be~~
14 ~~on the watch list were it not for the~~ inability or refusal of
15 the State of Illinois to make timely disbursements of any
16 general State aid or mandated categorical aid payments due
17 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 Section 99. Effective date. This Act takes effect July 1,
22 2009.