

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 by reason of any of the  
10 above circumstances; (i) arising as a result of the failure of  
11 the county to make any distribution of property tax money due  
12 the district at the time such distribution is due; (ii) arising  
13 as a result of the failure of the Comptroller to disburse  
14 reimbursements authorized under Sections 14-7.03, 14-7.02,  
15 14-7.02b, 14-13.01, 18-3, 18-11, 18-4.3, and 29-5 for receipt  
16 by the school district no later than June 30th of each year; or  
17 (iii) if the district clearly demonstrates to the satisfaction  
18 of the State Board of Education at the time of its  
19 determination that such condition no longer exists. If the  
20 State Board of Education certifies that a district in a city  
21 with 500,000 inhabitants or more is in financial difficulty,  
22 the State Board shall so notify the Governor and the Mayor of  
23 the city in which the district is located. The State Board of  
24 Education may require school districts certified in financial  
25 difficulty, except those districts subject to Article 34A, to  
26 develop, adopt and submit a financial plan within 45 days after

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

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

1 before the State Board of Education to discuss its failure to  
2 comply with its financial plan.

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

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

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

19 Section 99. Effective date. This Act takes effect July 1,  
20 2007.