

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) if arising solely as a result of 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;
13 (ii) if arising solely as a result of the failure of the
14 Comptroller to disburse reimbursements as per statutory
15 requirements under Sections 14-7.02, 14-7.02b, 14-7.03,
16 14-13.01, 18-3, 18-11, 18-4.3, and 29-5 for receipt by the
17 school district no later than June 30th of each year; or (iii)
18 if the district clearly demonstrates to the satisfaction of the
19 State Board of Education at the time of its determination that
20 such condition no longer exists. Notwithstanding any other
21 rulemaking authority that may exist, neither the Governor nor
22 any agency or agency head under the jurisdiction of the
23 Governor has any authority to make or promulgate rules to
24 implement or enforce the provisions of this amendatory Act of
25 the 95th General Assembly. If, however, the Governor believes
26 that rules are necessary to implement or enforce the provisions

1 of this amendatory Act of the 95th General Assembly, the
2 Governor may suggest rules to the General Assembly by filing
3 them with the Clerk of the House and the Secretary of the
4 Senate and by requesting that the General Assembly authorize
5 such rulemaking by law, enact those suggested rules into law,
6 or take any other appropriate action in the General Assembly's
7 discretion. Nothing contained in this amendatory Act of the
8 95th General Assembly shall be interpreted to grant rulemaking
9 authority under any other Illinois statute where such authority
10 is not otherwise explicitly given. For the purposes of this
11 amendatory Act of the 95th General Assembly, "rules" is given
12 the meaning contained in Section 1-70 of the Illinois
13 Administrative Procedure Act, and "agency" and "agency head"
14 are given the meanings contained in Sections 1-20 and 1-25 of
15 the Illinois Administrative Procedure Act to the extent that
16 such definitions apply to agencies or agency heads under the
17 jurisdiction of the Governor.

18 If the State Board of Education certifies that a district
19 in a city with 500,000 inhabitants or more is in financial
20 difficulty, the State Board shall so notify the Governor and
21 the Mayor of the city in which the district is located.

22 The State Board of Education may require school districts
23 certified in financial difficulty, except those districts
24 subject to Article 34A, to develop, adopt and submit a
25 financial plan within 45 days after certification of financial
26 difficulty. The financial plan shall be developed according to

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

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

1 comply with its financial plan.

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

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

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

18 Section 99. Effective date. This Act takes effect July 1,
19 2008.