

OFFICE OF THE SUPERINTENDENT

Millburn Public Schools

INFORMATION ITEM

April 19, 2010

To: Board of Education Members

From: Ellen E. Mauer, PhD

Subject: Information about State Oversight

In March, there was a request to find out more about state oversight and what that meant. I have an attachment that describes how that takes place and it requires the BOE to ask for it. Then, there are two parts: Financial Oversight Panel and School Finance Authority. I also called Dr. Ben Martindale from Round Lake District #116. Ben sits on the School Finance Authority who watches over the district. He is the CEO. Ben offered to come and speak to us regarding the process and answer questions about how this works. Let's get a consensus as to whether or not that will be something you would find useful or not. I can speak more about our conversation at the meeting.

pensation Act, Occupational Diseases Act, or a risk care management program.

745 ILCS 10/9-105

**26:260 May a school board issue bonds to pay teachers orders when the bond issue would exceed the debt limitations established by law?**

Bonds issued to pay teachers orders may, when added to other indebtedness of the school district, exceed any statutory debt limit.

105 ILCS 5/19-8

## DEBT AND FINANCIAL DIFFICULTY

**26:270 What happens when a school board reaches its debt limit?**

A school board that has reached its debt limit may continue to incur new debt by issuing orders to pay teachers salaries. Those orders will have first claim on any revenue that becomes available. If funds are not available to cover other types of expenditures, a school board can only take steps to curtail expenditures or increase revenue. The school district cannot close its doors.

Long before a school board's financial situation reaches this point, however, the State Board of Education will intervene and require the local board to adopt a spending plan that is fiscally sound and designed to rid the district of its indebtedness.

105 ILCS 5/1A-8

**26:280 When does the State Board of Education determine a school district has financial difficulties?**

The State Board of Education, after proper investigation of a school district's financial condition, may certify a district is in financial difficulty when any of the following conditions occur:

1) The district has issued school or teachers orders for wages;

2) The district has issued tax anticipation warrants or tax anticipation notes in anticipation of a second year's taxes when warrants or notes in anticipation of current year taxes are still outstanding or has issued short-term debt against two future revenue sources, such as, but not limited to, tax anticipation warrants and general State Aid certificates or tax anticipation warrants and revenue anticipation notes;

3) The district has for two consecutive years shown an excess of expenditures and other financing uses over revenues and other financing sources and beginning fund balances on its annual financial report for the aggregate totals of the Educational, Operations and Maintenance, Transportation, and Working Cash Funds;

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

No school district is deemed to be in financial difficulty by reason of any of the above circumstances arising as a result of the failure of the county to make any distribution of property tax money due the district at the time such distribution is due; or if the district clearly demonstrates to the satisfaction of the State Board of Education at the time of its determination that such condition no longer exists.

The State Board of Education is empowered to require school districts in financial difficulty to develop, adopt and submit a financial plan within 45 days after certification of financial difficulty. The financial plan must be developed according to guidelines presented to the district by the State Board of Education within 14 days of certification. The guidelines address the specific nature of each district's financial difficulties. Any proposed budget of the district must be consistent with the financial plan approved by the State Board.

A district certified to be in financial difficulty must report to the State Board of Education at such times and in such manner as the State Board may direct concerning the district's compliance with each financial plan. The State Board may review the district's operations, obtain budgetary data and financial statements, require the district to produce reports, and have access to any other information in the possession of the district that it deems relevant. The State Board may issue recommendations or directives within its powers to the district to assure compliance with the financial plan. The district must produce such budgetary data, financial statements, reports, and other information and comply with such directives.

105 ILCS 5/1A-8

**26:290 Does the State Superintendent have authority to investigate a school district's finances?**

The State Superintendent of Education may require a school district to share financial information relevant to a proper investigation of the dis-