

1 AN ACT with regard to education.

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

4 Section 5. The Property Tax Code is amended by adding  
5 Sections 18-50.1, 18-92 and 18-101.47 as follows:

6 (35 ILCS 200/18-50.1 new)

7 Sec. 18-50.1. Notwithstanding any other law to the  
8 contrary, any levy adopted by a School Finance Authority  
9 created under Article 1F of the School Code is valid and  
10 shall be extended by the county clerk if it is certified to  
11 the county clerk by the Authority in sufficient time to allow  
12 the county clerk to include the levy in the extension for the  
13 taxable year.

14 (35 ILCS 200/18-92 new)

15 Sec. 18-92. Downstate School Finance Authority for  
16 Elementary Districts Law. The provisions of the Truth in  
17 Taxation Law are subject to the Downstate School Finance  
18 Authority for Elementary Districts Law.

19 (35 ILCS 200/18-101.47 new)

20 Sec. 18-101.47. Downstate School Finance Authority for  
21 Elementary Districts Law. The provisions of the Cook County  
22 Truth in Taxation Law are subject to the Downstate School  
23 Finance Authority for Elementary Districts Law.

24 Section 10. The School Code is amended by changing  
25 Sections 1B-6 and 1B-8 and adding Article 1F and Section  
26 17-11.2 as follows:

27 (105 ILCS 5/1B-6) (from Ch. 122, par. 1B-6)

1           Sec. 1B-6. General powers. The purpose of the Financial  
2 Oversight Panel shall be to exercise financial control over  
3 the board of education, and, when approved by the State Board  
4 and the State Superintendent of Education, to furnish  
5 financial assistance so that the board can provide public  
6 education within the board's jurisdiction while permitting  
7 the board to meet its obligations to its creditors and the  
8 holders of its notes and bonds. Except as expressly limited  
9 by this Article, the Panel shall have all powers necessary to  
10 meet its responsibilities and to carry out its purposes and  
11 the purposes of this Article, including, but not limited to,  
12 the following powers:

13           (a) to sue and be sued;

14           (b) to provide for its organization and internal  
15 management;

16           (c) to appoint a Financial Administrator to serve as the  
17 chief executive officer of the Panel. The Financial  
18 Administrator may be an individual, partnership, corporation,  
19 including an accounting firm, or other entity determined by  
20 the Panel to be qualified to serve; and to appoint other  
21 officers, agents, and employees of the Panel, define their  
22 duties and qualifications and fix their compensation and  
23 employee benefits;

24           (d) to approve the local board of education appointments  
25 to the positions of treasurer in a Class I county school unit  
26 and in each school district which forms a part of a Class II  
27 county school unit but which no longer is subject to the  
28 jurisdiction and authority of a township treasurer or  
29 trustees of schools of a township because the district has  
30 withdrawn from the jurisdiction and authority of the township  
31 treasurer and the trustees of schools of the township or  
32 because those offices have been abolished as provided in  
33 subsection (b) or (c) of Section 5-1, and chief school  
34 business official, if such official is not the superintendent

1 of the district. Either the board or the Panel may remove  
2 such treasurer or chief school business official;

3 (e) to approve any and all bonds, notes, teachers  
4 orders, tax anticipation warrants, and other evidences of  
5 indebtedness prior to issuance or sale by the school  
6 district; and notwithstanding any other provision of The  
7 School Code, as now or hereafter amended, no bonds, notes,  
8 teachers orders, tax anticipation warrants or other evidences  
9 of indebtedness shall be issued or sold by the school  
10 district or be legally binding upon or enforceable against  
11 the local board of education unless and until the approval of  
12 the Panel has been received;

13 (f) to approve all property tax levies of the school  
14 district and require adjustments thereto as the Panel deems  
15 necessary or advisable;

16 (g) to require and approve a school district financial  
17 plan;

18 (h) to approve and require revisions of the school  
19 district budget;

20 (i) to approve all contracts and other obligations as  
21 the Panel deems necessary and appropriate;

22 (j) to authorize emergency State financial assistance,  
23 including requirements regarding the terms and conditions of  
24 repayment of such assistance, and to require the board of  
25 education to levy a separate local property tax, subject to  
26 the limitations of Section 1B-8, sufficient to repay such  
27 assistance consistent with the terms and conditions of  
28 repayment and the district's approved financial plan and  
29 budget;

30 (k) to request the regional superintendent to make  
31 appointments to fill all vacancies on the local school board  
32 as provided in Section 10-10;

33 (l) to recommend dissolution or reorganization of the  
34 school district to the General Assembly if in the Panel's

1 judgment the circumstances so require;

2 (m) to direct a phased reduction in the oversight  
3 responsibilities of the Financial Administrator and of the  
4 Panel as the circumstances permit;

5 (n) to determine the amount of emergency State financial  
6 assistance to be made available to the school district, and  
7 to establish an operating budget for the Panel to be  
8 supported by funds available from such assistance, with the  
9 assistance and the budget required to be approved by the  
10 State Superintendent;

11 (o) to procure insurance against any loss in such  
12 amounts and from such insurers as it deems necessary;

13 (p) to engage the services of consultants for rendering  
14 professional and technical assistance and advice on matters  
15 within the Panel's power;

16 (q) to contract for and to accept any gifts, grants or  
17 loans of funds or property or financial or other aid in any  
18 form from the federal government, State government, unit of  
19 local government, school district or any agency or  
20 instrumentality thereof, or from any other private or public  
21 source, and to comply with the terms and conditions thereof;

22 (r) to pay the expenses of its operations based on the  
23 Panel's budget as approved by the State Superintendent from  
24 emergency financial assistance funds available to the  
25 district or from deductions from the district's general State  
26 aid; and

27 (s) to do any and all things necessary or convenient to  
28 carry out its purposes and exercise the powers given to the  
29 Panel by this Article; and-

30 (t) to recommend the creation of a school finance  
31 authority pursuant to Article 1F of this Code.

32 (Source: P.A. 91-357, eff. 7-29-99.)

33 (105 ILCS 5/1B-8) (from Ch. 122, par. 1B-8)

1           Sec. 1B-8. There is created in the State Treasury a  
2 special fund to be known as the School District Emergency  
3 Financial Assistance Fund (the "Fund"). The School District  
4 Emergency Financial Assistance Fund shall consist of  
5 appropriations, grants from the federal government and  
6 donations from any public or private source. Moneys in the  
7 Fund may be appropriated only to the State Board for the  
8 purposes of this Article and for the purposes of Section  
9 1F-62 of this Code. The appropriation may be allocated and  
10 expended by the State Board as grants or loans to school  
11 districts which are the subject of an approved petition for  
12 emergency financial assistance under Section 1B-4. From the  
13 amount allocated to each such school district the State Board  
14 shall identify a sum sufficient to cover all approved costs  
15 of the Financial Oversight Panel established for the  
16 respective school district. If the State Board and State  
17 Superintendent of Education have not approved emergency  
18 financial assistance in conjunction with the appointment of a  
19 Financial Oversight Panel, the Panel's approved costs shall  
20 be paid from deductions from the district's general State  
21 aid.

22           The Financial Oversight Panel may prepare and file with  
23 the State Superintendent a proposal for emergency financial  
24 assistance for the school district and for the operations  
25 budget of the Panel. No expenditures shall be authorized by  
26 the State Superintendent until he has approved the proposal  
27 of the Panel, either as submitted or in such lesser amount  
28 determined by the State Superintendent.

29           The maximum amount of an emergency financial assistance  
30 loan which may be allocated to any school district under this  
31 Article, including moneys necessary for the operations of the  
32 Panel, shall not exceed \$1000 times the number of pupils  
33 enrolled in the school district during the school year ending  
34 June 30 prior to the date of approval by the State Board of

1 the petition for emergency financial assistance, as certified  
 2 to the local board and the Panel by the State Superintendent.  
 3 An emergency financial assistance grant shall not exceed \$250  
 4 times the number of such pupils. A district may receive both  
 5 a loan and a grant.

6 The payment of an emergency State financial assistance  
 7 grant or loan shall be subject to appropriation by the  
 8 General Assembly. Emergency State financial assistance  
 9 allocated and paid to a school district under this Article  
 10 may be applied to any fund or funds from which the local  
 11 board of education of that district is authorized to make  
 12 expenditures by law.

13 Any emergency financial assistance proposed by the  
 14 Financial Oversight Panel and approved by the State  
 15 Superintendent may be paid in its entirety during the initial  
 16 year of the Panel's existence or spread in equal or declining  
 17 amounts over a period of years not to exceed the period of  
 18 the Panel's existence. All loan payments made from the  
 19 School District Emergency Financial Assistance Fund for a  
 20 school district shall be required to be repaid, with simple  
 21 interest over the term of the loan at a rate equal to 50% of  
 22 the one-year Constant Maturity Treasury (CMT) yield as last  
 23 published by the Board of Governors of the Federal Reserve  
 24 System before discount--rate--on--one-year--United---States  
 25 Treasury--Bills--as--determined--by--the--last--auction--of--these  
 26 one-year-bills--that--precedes the date on which the district's  
 27 loan is approved by the State Board of Education, not later  
 28 than the date the Financial Oversight Panel ceases to exist.  
 29 The Panel shall establish and the State Superintendent shall  
 30 approve the terms and conditions, including the schedule, of  
 31 repayments. The schedule shall provide for repayments  
 32 commencing July 1 of each year. Repayment shall be  
 33 incorporated into the annual budget of the school district  
 34 and may be made from any fund or funds of the district in

1 which there are moneys available. When moneys are repaid as  
 2 provided herein they shall not be made available to the local  
 3 board for further use as emergency financial assistance under  
 4 this Article at any time thereafter. All repayments required  
 5 to be made by a school district shall be received by the  
 6 State Board and deposited in the School District Emergency  
 7 Financial Assistance Fund.

8 In establishing the terms and conditions for the  
 9 repayment obligation of the school district the Panel shall  
 10 annually determine whether a separate local property tax levy  
 11 is required. The board of any school district with a tax  
 12 rate for educational purposes for the prior year of less than  
 13 120% of the maximum rate for educational purposes authorized  
 14 by Section 17-2 shall provide for a separate tax levy for  
 15 emergency financial assistance repayment purposes. Such tax  
 16 levy shall not be subject to referendum approval. The amount  
 17 of the levy shall be equal to the amount necessary to meet  
 18 the annual repayment obligations of the district as  
 19 established by the Panel, or 20% of the amount levied for  
 20 educational purposes for the prior year, whichever is less.  
 21 However, no district shall be required to levy the tax if the  
 22 district's operating tax rate as determined under Section  
 23 18-8 or 18-8.05 exceeds 200% of the district's tax rate for  
 24 educational purposes for the prior year.

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

26 (105 ILCS 5/Art. 1F heading new)

27 ARTICLE 1F. DOWNSTATE SCHOOL FINANCE AUTHORITY  
 28 FOR ELEMENTARY DISTRICTS

29 (105 ILCS 5/1F-1 new)

30 Sec. 1F-1. Short title. This Article may be cited as the  
 31 Downstate School Finance Authority for Elementary Districts  
 32 Law.

1 (105 ILCS 5/1F-5 new)

2 Sec. 1F-5. Findings; purpose; intent.

3 (a) The General Assembly finds all of the following:

4 (1) A fundamental goal of the people of this State,  
5 as expressed in Section 1 of Article X of the Illinois  
6 Constitution, is the educational development of all  
7 persons to the limits of their capacities. When a board  
8 of education faces financial difficulties, continued  
9 operation of the public school system is threatened.

10 (2) A sound financial structure is essential to the  
11 continued operation of any school system. It is vital to  
12 commercial, educational, and cultural interests that  
13 public schools remain in operation. To achieve that goal,  
14 public school systems must have effective access to the  
15 private market to borrow short and long term funds.

16 (3) To promote the financial integrity of  
17 districts, as defined in this Article, it is necessary to  
18 provide for the creation of school finance authorities  
19 with the powers necessary to promote sound financial  
20 management and to ensure the continued operation of the  
21 public schools.

22 (b) It is the purpose of this Article to provide a  
23 secure financial basis for the continued operation of public  
24 schools. The intention of the General Assembly, in creating  
25 this Article, is to establish procedures, provide powers, and  
26 impose restrictions to ensure the financial and educational  
27 integrity of the public schools, while leaving principal  
28 responsibility for the educational policies of public schools  
29 to the boards of education within the State, consistent with  
30 the requirements for satisfying the public policy and purpose  
31 set forth in this Article.

32 (105 ILCS 5/1F-10 new)

33 Sec. 1F-10. Definitions. As used in this Article:



1 "Authority" means a School Finance Authority created  
2 under this Article.

3 "Bonds" means bonds authorized to be issued by the  
4 Authority under Section 1F-65 of this Code.

5 "Budget" means the annual budget of the district required  
6 under Section 17-1 of this Code, as in effect from time to  
7 time.

8 "Chairperson" means the Chairperson of the Authority.

9 "District" means any elementary school district having a  
10 population of not more than 500,000 that prior to December 1,  
11 2002 has had a Financial Oversight Panel established for the  
12 district under Section 1B-4 of this Code following the  
13 district's petitioning of the State Board of Education for  
14 the creation of the Financial Oversight Panel.

15 "Financial plan" means the financial plan of the district  
16 to be developed pursuant to this Article, as in effect from  
17 time to time.

18 "Fiscal year" means the fiscal year of the district.

19 "State Board" means the State Board of Education.

20 "State Superintendent" means the State Superintendent of  
21 Education.

22 "Obligations" means bonds and notes of the Authority.

23 (105 ILCS 5/1F-15 new)

24 Sec. 1F-15. Establishment of Authority; duties of  
25 district.

26 (a) A Financial Oversight Panel created under Article 1B  
27 of this Code for a district may petition the State Board for  
28 the establishment of a School Finance Authority for the  
29 district. The petition shall cite the reasons why the  
30 creation of a School Finance Authority for the district is  
31 necessary. The State Board may grant the petition upon  
32 determining that the approval of the petition is in the best  
33 educational and financial interests of the district. The

1 State Board may establish an Authority without a petition  
 2 from a Financial Oversight Panel. In any event, an Authority  
 3 may only be established by resolution of the State Board  
 4 within 5 days after the effective date of this amendatory Act  
 5 of the 92nd General Assembly.

6 (b) Upon establishment of the Authority, all of the  
 7 following shall occur:

8 (1) There is established a body both corporate and  
 9 politic to be known as the "(Name of School District)  
 10 School Finance Authority", which in this name shall  
 11 exercise all authority vested in an Authority by this  
 12 Article.

13 (2) The Financial Oversight Panel is abolished, and  
 14 all of its rights, property, assets, contracts, and  
 15 liabilities shall pass to and be vested in the Authority.

16 (3) The duties and obligations of the district  
 17 under Article 1B of this Code shall be transferred and  
 18 become duties and obligations owed by the district to the  
 19 School Finance Authority.

20 (c) In the event of a conflict between the provisions of  
 21 this Article and the provisions of Article 1B of this Code,  
 22 the provisions of this Article control.

23 (105 ILCS 5/1F-20 new)

24 Sec. 1F-20. Members of Authority; meetings.

25 (a) Upon establishment of a School Finance Authority  
 26 under Section 1F-15 of this Code, the State Superintendent  
 27 shall within 15 days thereafter appoint 5 members to serve on  
 28 a School Finance Authority for the district. Of the initial  
 29 members, 2 shall be appointed to serve a term of 2 years and  
 30 3 shall be appointed to serve a term of 3 years. Thereafter,  
 31 each member shall serve for a term of 3 years and until his  
 32 or her successor has been appointed. The State Superintendent  
 33 shall designate one of the members of the Authority to serve

1 as its Chairperson. In the event of vacancy or resignation,  
2 the State Superintendent shall, within 10 days after  
3 receiving notice, appoint a successor to serve out that  
4 member's term. The State Superintendent may remove a member  
5 for incompetence, malfeasance, neglect of duty, or other just  
6 cause.

7 Members of the Authority shall be selected primarily on  
8 the basis of their experience and education in financial  
9 management, with consideration given to persons knowledgeable  
10 in education finance. Two members of the Authority shall be  
11 residents of the school district that the Authority serves. A  
12 member of the Authority may not be a member of the district's  
13 school board or an employee of the district nor may a member  
14 have a direct financial interest in the district.

15 Authority members shall serve without compensation, but  
16 may be reimbursed by the State Board for travel and other  
17 necessary expenses incurred in the performance of their  
18 official duties. Unless paid from bonds issued under Section  
19 1F-65 of this Code, the amount reimbursed members for their  
20 expenses shall be charged to the school district as part of  
21 any emergency financial assistance and incorporated as a part  
22 of the terms and conditions for repayment of the assistance  
23 or shall be deducted from the district's general State aid as  
24 provided in Section 1B-8 of this Code.

25 The Authority may elect such officers as it deems  
26 appropriate.

27 (b) The first meeting of the Authority shall be held at  
28 the call of the Chairperson. The Authority shall prescribe  
29 the times and places for its meetings and the manner in which  
30 regular and special meetings may be called and shall comply  
31 with the Open Meetings Act.

32 Three members of the Authority shall constitute a quorum.  
33 When a vote is taken upon any measure before the Authority, a  
34 quorum being present, a majority of the votes of the members

1 voting on the measure shall determine the outcome.

2 (105 ILCS 5/1F-25 new)

3 Sec. 1F-25. General powers. The purposes of the Authority  
 4 shall be to exercise financial control over the district and  
 5 to furnish financial assistance so that the district can  
 6 provide public education within the district's jurisdiction  
 7 while permitting the district to meet its obligations to its  
 8 creditors and the holders of its debt. Except as expressly  
 9 limited by this Article, the Authority shall have all powers  
 10 granted to a voluntary or involuntary Financial Oversight  
 11 Panel and to a Financial Administrator under Article 1B of  
 12 this Code and all other powers necessary to meet its  
 13 responsibilities and to carry out its purposes and the  
 14 purposes of this Article, including without limitation all of  
 15 the following powers, provided that the Authority shall have  
 16 no power to terminate any employee without following the  
 17 statutory procedures for such terminations set forth in this  
 18 Code:

19 (1) To sue and to be sued.

20 (2) To make, cancel, modify, and execute contracts,  
 21 leases, subleases, and all other instruments or  
 22 agreements necessary or convenient for the exercise of  
 23 the powers and functions granted by this Article, subject  
 24 to Section 1F-45 of this Code. The Authority may at a  
 25 regular or special meeting find that the district has  
 26 insufficient or inadequate funds with respect to any  
 27 contract, other than collective bargaining agreements.

28 (3) To purchase real or personal property necessary  
 29 or convenient for its purposes; to execute and deliver  
 30 deeds for real property held in its own name; and to  
 31 sell, lease, or otherwise dispose of such of its property  
 32 as, in the judgment of the Authority, is no longer  
 33 necessary for its purposes.

1           (4) To appoint officers, agents, and employees of  
 2           the Authority, including a chief executive officer, a  
 3           chief fiscal officer, and a chief educational officer; to  
 4           define their duties and qualifications; and to fix their  
 5           compensation and employee benefits.

6           (5) To transfer to the district such sums of money  
 7           as are not required for other purposes.

8           (6) To borrow money, including without limitation  
 9           accepting State loans, and to issue obligations pursuant  
 10          to this Article; to fund, refund, or advance refund the  
 11          same; to provide for the rights of the holders of its  
 12          obligations; and to repay any advances.

13          (6.5) To levy all property tax levies that  
 14          otherwise could be levied by the district, and to make  
 15          levies pursuant to Section 1F-62 of this Code. This levy  
 16          or levies shall be exempt from the Truth in Taxation Law  
 17          and the Cook County Truth in Taxation Law.

18          (7) Subject to the provisions of any contract with  
 19          or for the benefit of the holders of its obligations, to  
 20          purchase or redeem its obligations.

21          (8) To procure all necessary goods and services for  
 22          the Authority in compliance with the purchasing laws and  
 23          requirements applicable to the district.

24          (9) To do any and all things necessary or  
 25          convenient to carry out its purposes and exercise the  
 26          powers given to it by this Article.

27          (10) To recommend annexation, consolidation,  
 28          dissolution, or reorganization of the district, in whole  
 29          or in part, to the State Board if in the Authority's  
 30          judgment the circumstances so require. No such proposal  
 31          for annexation, consolidation, dissolution, or  
 32          reorganization shall occur unless the Authority and the  
 33          school boards of all other districts directly affected by  
 34          the annexation, consolidation, dissolution, or

1        reorganization have each approved by majority vote the  
2        annexation, consolidation, dissolution, or  
3        reorganization. Notwithstanding any other law to the  
4        contrary, upon approval of the proposal by the State  
5        Board, the State Board and all other affected entities  
6        shall forthwith implement the proposal. When a  
7        dissolution and annexation becomes effective for purposes  
8        of administration and attendance, the positions of  
9        teachers in contractual continued service in the district  
10       being dissolved shall be transferred to the annexing  
11       district or districts, pursuant to the provisions of  
12       Section 24-12 of this Code. In the event that the  
13       territory is added to 2 or more districts, the decision  
14       on which positions shall be transferred to which annexing  
15       districts shall be made by giving consideration to the  
16       proportionate percentage of pupils transferred and the  
17       annexing districts' staffing needs, and the transfer of  
18       teachers in contractual continued service into positions  
19       shall be based upon the request of those teachers in  
20       contractual continued service in order of seniority in  
21       the dissolving district. The status of all teachers in  
22       contractual continued service transferred to an annexing  
23       district shall not be lost, and the board of the annexing  
24       district is subject to this Code with respect to teachers  
25       in contractual continued service who are transferred in  
26       the same manner as if the person were the annexing  
27       district's employee and had been its employee during the  
28       time the person was actually employed by the board of the  
29       dissolving district from which the position was  
30       transferred.

31       (105 ILCS 5/1F-30 new)

32       Sec. 1F-30. Chief executive officer. The Authority may  
33       appoint a chief executive officer who, under the direction of

1 the Authority, shall supervise the Authority's staff,  
2 including the chief educational officer and the chief fiscal  
3 officer, and shall have ultimate responsibility for  
4 implementing the policies, procedures, directives, and  
5 decisions of the Authority.

6 (105 ILCS 5/1F-35 new)

7 Sec. 1F-35. Chief educational officer. The Authority may  
8 at a regular or special meeting find that cause exists to  
9 cancel the contract of the school district's superintendent  
10 who is serving at the time the Authority is established. If  
11 there is no superintendent, then the Authority shall,  
12 following consultation with the district, employ a chief  
13 educational officer for the district, who shall have all of  
14 the powers and duties of a school district superintendent  
15 under this Code and such other duties as may be assigned by  
16 the Authority in accordance with this Code. The chief  
17 educational officer shall report to the Authority or the  
18 chief executive officer appointed by the Authority.

19 The district shall not thereafter employ a superintendent  
20 during the period that a chief educational officer is serving  
21 in the district. The chief educational officer shall hold a  
22 certificate with a superintendent endorsement issued under  
23 Article 21 of this Code.

24 (105 ILCS 5/1F-40 new)

25 Sec. 1F-40. Chief fiscal officer. The Authority may  
26 appoint a chief fiscal officer who, under the direction of  
27 the Authority, shall have all of the powers and duties of the  
28 district's chief school business official and any other  
29 duties regarding budgeting, accounting, and other financial  
30 matters that are assigned by the Authority, in accordance  
31 with this Code. The district may not employ a chief school  
32 business official during the period that the chief fiscal

1 officer is serving in the district. The chief fiscal officer  
2 may but is not required to hold a certificate with a chief  
3 school business official endorsement issued under Article 21  
4 of this Code.

5 (105 ILCS 5/1F-45 new)

6 Sec. 1F-45. Collective bargaining agreements. The  
7 Authority shall have the power to negotiate collective  
8 bargaining agreements with the district's employees in lieu  
9 of and on behalf of the district. Upon concluding bargaining,  
10 the district shall execute the agreements negotiated by the  
11 Authority, and the district shall be bound by and shall  
12 administer the agreements in all respects as if the  
13 agreements had been negotiated by the district itself.

14 (105 ILCS 5/1F-50 new)

15 Sec. 1F-50. Deposits and investments.

16 (a) The Authority shall have the power to establish  
17 checking and whatever other banking accounts it may deem  
18 appropriate for conducting its affairs.

19 (b) Subject to the provisions of any contract with or  
20 for the benefit of the holders of its obligations, the  
21 Authority may invest any funds not required for immediate use  
22 or disbursement, as provided in the Public Funds Investment  
23 Act.

24 (105 ILCS 5/1F-55 new)

25 Sec. 1F-55. Cash accounts and bank accounts.

26 (a) The Authority shall require the district or any  
27 officer of the district, including the district's treasurer,  
28 to establish and maintain separate cash accounts and separate  
29 bank accounts in accordance with such rules, standards, and  
30 procedures as the Authority may prescribe.

31 (b) The Authority shall have the power to assume



1 exclusive administration of the cash accounts and bank  
 2 accounts of the district, to establish and maintain whatever  
 3 new cash accounts and bank accounts it may deem appropriate,  
 4 and to withdraw funds from these accounts for the lawful  
 5 expenditures of the district.

6 (105 ILCS 5/1F-60 new)

7 Sec. 1F-60. Financial, management, and budgetary  
 8 structure. Upon direction of the Authority, the district  
 9 shall reorganize the financial accounts, management, and  
 10 budgetary systems of the district in whatever manner the  
 11 Authority deems appropriate to achieve greater financial  
 12 responsibility and to reduce financial inefficiency.

13 (105 ILCS 5/1F-62 new)

14 Sec. 1F-62. School District Emergency Financial  
 15 Assistance Fund; loans.

16 (a) Moneys in the School District Emergency Financial  
 17 Assistance Fund established under Section 1B-8 of this Code  
 18 may be allocated and expended by the State Board for  
 19 emergency financial assistance loans to an Authority that  
 20 petitions for emergency financial assistance. An emergency  
 21 financial assistance loan to an Authority or borrowing from  
 22 sources other than the State shall not be considered as part  
 23 of the calculation of a district's debt for purposes of the  
 24 limitation specified in Section 19-1 of this Code.

25 (b) The amount of an emergency financial assistance loan  
 26 that may be allocated to an Authority under this Article,  
 27 including moneys necessary for the operations of the  
 28 Authority, and borrowing from sources other than the State  
 29 shall not exceed, in the aggregate, \$4,000 times the number  
 30 of pupils enrolled in the district during the school year  
 31 ending June 30 prior to the date of approval by the State  
 32 Board of the petition for emergency financial assistance, as

1 certified to the school board and the Authority by the State  
2 Superintendent. However, this limitation does not apply to  
3 borrowing by the district secured by amounts levied by the  
4 district prior to establishment of the Authority.

5 (c) The payment of a State emergency financial  
6 assistance loan shall be subject to appropriation by the  
7 General Assembly. State emergency financial assistance  
8 allocated and paid to an Authority under this Article may be  
9 applied to any fund or funds from which the Authority is  
10 authorized to make expenditures by law.

11 (d) Any State emergency financial assistance proposed by  
12 the Authority and approved by the State Superintendent may be  
13 paid in its entirety during the initial year of the  
14 Authority's existence or spread in equal or declining amounts  
15 over a period of years not to exceed the period of the  
16 Authority's existence. The State Superintendent shall not  
17 approve any loan to the Authority unless the Authority has  
18 been unable to borrow sufficient funds to operate the  
19 district.

20 All loan payments made from the School District Emergency  
21 Financial Assistance Fund to an Authority shall be required  
22 to be repaid not later than the date the Authority ceases to  
23 exist, with simple interest over the term of the loan at a  
24 rate equal to 50% of the one-year Constant Maturity Treasury  
25 (CMT) yield as last published by the Board of Governors of  
26 the Federal Reserve System before the date on which the  
27 Authority's loan is approved by the State Board.

28 The Authority shall establish and the State  
29 Superintendent shall approve the terms and conditions of the  
30 loan, including the schedule of repayments. The schedule  
31 shall provide for repayments commencing July 1 of each year.  
32 Repayment shall be incorporated into the annual budget of the  
33 district and may be made from any fund or funds of the  
34 district in which there are moneys available. When moneys are

1 repaid as provided in this Section, they shall not be made  
 2 available to the Authority for further use as emergency  
 3 financial assistance under this Article at any time  
 4 thereafter. All repayments required to be made by an  
 5 Authority shall be received by the State Board and deposited  
 6 in the School District Emergency Financial Assistance Fund.

7 In establishing the terms and conditions for the  
 8 repayment obligation of the Authority, the Authority shall  
 9 annually determine whether a separate local property tax levy  
 10 is required to meet that obligation. The Authority shall  
 11 provide for a separate tax levy for emergency financial  
 12 assistance repayment purposes. This tax levy shall not be  
 13 subject to referendum approval. The amount of the levy shall  
 14 not exceed the amount necessary to meet the annual emergency  
 15 financial repayment obligations of the district, including  
 16 principal and interest, as established by the Authority.

17 (105 ILCS 5/1F-90 new)

18 Sec. 1F-90. Tax anticipation warrants. An Authority shall  
 19 have the same power to issue tax anticipation warrants as a  
 20 school board under Section 17-16 of this Code. Tax  
 21 anticipation warrants are considered borrowing from sources  
 22 other than the State and are subject to Section 1F-62 of  
 23 this Code.

24 (105 ILCS 5/1F-115 new)

25 Sec. 1F-115. State or district not liable on obligations.  
 26 Obligations shall not be deemed to constitute (i) a debt or  
 27 liability of the State, the district, or any political  
 28 subdivision of the State or district other than the Authority  
 29 or (ii) a pledge of the full faith and credit of the State,  
 30 the district, or any political subdivision of the State or  
 31 district other than the Authority but shall be payable solely  
 32 from the funds and revenues provided for in this Article. The

1 issuance of obligations shall not directly, indirectly, or  
2 contingently obligate the State, the district, or any  
3 political subdivision of the State or district other than the  
4 Authority to levy any form of taxation therefor or to make  
5 any appropriation for their payment. Nothing in this Section  
6 shall prevent or be construed to prevent the Authority from  
7 pledging its full faith and credit to the payment of  
8 obligations. Nothing in this Article shall be construed to  
9 authorize the Authority to create a debt of the State or the  
10 district within the meaning of the Constitution or laws of  
11 Illinois, and all obligations issued by the Authority  
12 pursuant to the provisions of this Article are payable and  
13 shall state that they are payable solely from the funds and  
14 revenues pledged for their payment in accordance with the  
15 resolution authorizing their issuance or any trust indenture  
16 executed as security therefor. The State or the district  
17 shall not in any event be liable for the payment of the  
18 principal of or interest on any obligations of the Authority  
19 or for the performance of any pledge, obligation, or  
20 agreement of any kind whatsoever that may be undertaken by  
21 the Authority. No breach of any such pledge, obligation, or  
22 agreement may impose any liability upon the State or the  
23 district or any charge upon their general credit or against  
24 their taxing power.

25 (105 ILCS 5/1F-120 new)

26 Sec. 1F-120. Obligations as legal investments. The  
27 obligations issued under the provisions of this Article are  
28 hereby made securities in which all public officers and  
29 bodies of this State, all political subdivisions of this  
30 State, all persons carrying on an insurance business, all  
31 banks, bankers, trust companies, savings banks, and savings  
32 associations (including savings and loan associations,  
33 building and loan associations, investment companies, and

1 other persons carrying on a banking business), and all credit  
 2 unions, pension funds, administrators, and guardians who are  
 3 or may be authorized to invest in bonds or in other  
 4 obligations of the State may properly and legally invest  
 5 funds, including capital, in their control or belonging to  
 6 them. The obligations are also hereby made securities that  
 7 may be deposited with and may be received by all public  
 8 officers and bodies of the State, all political subdivisions  
 9 of the State, and public corporations for any purpose for  
 10 which the deposit of bonds or other obligations of the State  
 11 is authorized.

12 (105 ILCS 5/1F-130 new)

13 Sec. 1F-130. Reports.

14 (a) The Authority, upon taking office and annually  
 15 thereafter, shall prepare and submit to the Governor, General  
 16 Assembly, and State Superintendent a report that includes the  
 17 audited financial statement for the preceding fiscal year, an  
 18 approved financial plan, and a statement of the major steps  
 19 necessary to accomplish the objectives of the financial plan.

20 (b) Annual reports shall be submitted on or before March  
 21 1 of each year.

22 (c) The requirement for reporting to the General  
 23 Assembly shall be satisfied by filing copies of the report as  
 24 provided in Section 3.1 of the General Assembly Organization  
 25 Act and by filing additional copies with the State Government  
 26 Report Distribution Center for the General Assembly as  
 27 required under subdivision (t) of Section 7 of the State  
 28 Library Act.

29 (105 ILCS 5/1F-135 new)

30 Sec. 1F-135. Audit of Authority. The Authority shall be  
 31 subject to audit in the manner provided for the audit of  
 32 State funds and accounts. A copy of the audit report shall be

1 submitted to the State Superintendent, the Governor, the  
 2 Speaker and Minority Leader of the House of Representatives,  
 3 and the President and Minority Leader of the Senate.

4 (105 ILCS 5/1F-140 new)

5 Sec. 1F-140. Assistance by State agencies, units of local  
 6 government, and school districts. The district shall render  
 7 such services to and permit the use of its facilities and  
 8 resources by the Authority at no charge as may be requested  
 9 by the Authority. Any State agency, unit of local government,  
 10 or school district may, within its lawful powers and duties,  
 11 render such services to the Authority as may be requested by  
 12 the Authority. Upon request of the Authority, any State  
 13 agency, unit of local government, or school district is  
 14 authorized and empowered to loan to the Authority such  
 15 officers and employees as the Authority may deem necessary in  
 16 carrying out its functions and duties. Officers and employees  
 17 so transferred shall not lose or forfeit their employment  
 18 status or rights.

19 (105 ILCS 5/1F-145 new)

20 Sec. 1F-145. Property of Authority exempt from taxation.  
 21 The property of the Authority is exempt from taxation.

22 (105 ILCS 5/1F-150 new)

23 Sec. 1F-150. Sanctions.

24 (a) No member, officer, employee, or agent of the  
 25 district may commit the district to any contract or other  
 26 obligation or incur any liability on behalf of the district  
 27 for any purpose if the amount of the contract, obligation, or  
 28 liability is in excess of the amount authorized for that  
 29 purpose then available under the financial plan and budget  
 30 then in effect.

31 (b) No member, officer, employee, or agent of the

1 district may commit the district to any contract or other  
2 obligation on behalf of the district for the payment of money  
3 for any purpose required to be approved by the Authority  
4 unless the contract or other obligation has been approved by  
5 the Authority.

6 (c) No member, officer, employee, or agent of the  
7 district may take any action in violation of any valid order  
8 of the Authority, may fail or refuse to take any action  
9 required by any such order, may prepare, present, certify, or  
10 report any information, including any projections or  
11 estimates, for the Authority or any of its agents that is  
12 false or misleading, or, upon learning that any such  
13 information is false or misleading, may fail promptly to  
14 advise the Authority or its agents.

15 (d) In addition to any penalty or liability under any  
16 other law, any member, officer, employee, or agent of the  
17 district who violates subsection (a), (b), or (c) of this  
18 Section is subject to appropriate administrative discipline  
19 as may be imposed by the Authority, including, if warranted,  
20 suspension from duty without pay, removal from office, or  
21 termination of employment.

22 (105 ILCS 5/1F-155 new)

23 Sec. 1F-155. Abolition of Authority. The Authority shall  
24 be abolished 10 years after its creation or one year after  
25 all its obligations issued under the provisions of this  
26 Article have been fully paid and discharged, whichever comes  
27 later. However, the State Board, upon recommendation of the  
28 Authority and if no obligations are outstanding, may abolish  
29 the Authority at any time after the Authority has been in  
30 existence for 3 years. Upon the abolition of the Authority,  
31 all of its records shall be transferred to the State Board  
32 and any property of the Authority shall pass to and be vested  
33 in the State Board.

1 (105 ILCS 5/1F-160 new)

2 Sec. 1F-160. Limitations of actions after abolition;  
3 indemnification; legal representation.

4 (a) Abolition of the Authority pursuant to Section  
5 1F-155 of this Code shall bar any remedy available against  
6 the Authority, its members, employees, or agents for any  
7 right or claim existing or any liability incurred prior to  
8 the abolition unless the action or other proceeding is  
9 commenced prior to the expiration of 2 years after the date  
10 of the abolition.

11 (b) The Authority may indemnify any member, officer,  
12 employee, or agent who was or is a party or is threatened to  
13 be made a party to any threatened, pending, or completed  
14 action, suit, or proceeding, whether civil, criminal,  
15 administrative, or investigative, by reason of the fact that  
16 he or she was a member, officer, employee, or agent of the  
17 Authority, against expenses (including attorney's fees,  
18 judgments, fines, and amounts paid in settlement actually and  
19 reasonably incurred by him or her in connection with the  
20 action, suit, or proceeding) if he or she acted in good faith  
21 and in a manner that he or she reasonably believed to be in  
22 or not opposed to the best interests of the Authority and,  
23 with respect to any criminal action or proceeding, had no  
24 reasonable cause to believe his or her conduct was unlawful.  
25 The termination of any action, suit, or proceeding by  
26 judgment, order, settlement, or conviction or upon a plea of  
27 nolo contendere or its equivalent, shall not, of itself,  
28 create a presumption that the person did not act in good  
29 faith in a manner that he or she reasonably believed to be in  
30 or not opposed to the best interest of the Authority and,  
31 with respect to any criminal action or proceeding, had  
32 reasonable cause to believe that his or her conduct was  
33 unlawful.

34 To the extent that a member, officer, employee, or agent



1 of the Authority has been successful, on the merits or  
2 otherwise, in the defense of any such action, suit, or  
3 proceeding referred to in this subsection (b) or in defense  
4 of any claim, issue, or matter therein, he or she shall be  
5 indemnified against expenses, including attorney's fees,  
6 actually and reasonably incurred by him or her in connection  
7 therewith. Any such indemnification shall be made by the  
8 Authority only as authorized in the specific case, upon a  
9 determination that indemnification of the member, officer,  
10 employee, or agent is proper in the circumstances because he  
11 or she has met the applicable standard of conduct. The  
12 determination shall be made (i) by the Authority by a  
13 majority vote of a quorum consisting of members who are not  
14 parties to the action, suit, or proceeding or (ii) if such a  
15 quorum is not obtainable or, even if obtainable, a quorum of  
16 disinterested members so directs, by independent legal  
17 counsel in a written opinion.

18 Reasonable expenses incurred in defending an action,  
19 suit, or proceeding shall be paid by the Authority in advance  
20 of the final disposition of the action, suit, or proceeding,  
21 as authorized by the Authority in the specific case, upon  
22 receipt of an undertaking by or on behalf of the member,  
23 officer, employee, or agent to repay the amount, unless it is  
24 ultimately determined that he or she is entitled to be  
25 indemnified by the Authority as authorized in this Section.

26 Any member, officer, employee, or agent against whom any  
27 action, suit, or proceeding is brought may employ his or her  
28 own attorney to appear on his or her behalf.

29 The right to indemnification accorded by this Section  
30 shall not limit any other right to indemnification to which  
31 the member, officer, employee, or agent may be entitled. Any  
32 rights under this Section shall inure to the benefit of the  
33 heirs, executors, and administrators of any member, officer,  
34 employee, or agent of the Authority.

1       The Authority may purchase and maintain insurance on  
 2 behalf of any person who is or was a member, officer,  
 3 employee, or agent of the Authority against any liability  
 4 asserted against him or her and incurred by him or her in any  
 5 such capacity or arising out of his or her status as such,  
 6 whether or not the Authority would have the power to  
 7 indemnify him or her against the liability under the  
 8 provisions of this Section.

9       The Authority shall be considered a State agency for  
 10 purposes of receiving representation by the Attorney General.  
 11 Members, officers, employees, and agents of the Authority  
 12 shall be entitled to representation and indemnification under  
 13 the State Employee Indemnification Act.

14       (105 ILCS 5/17-11.2 new)

15       Sec. 17-11.2. Notwithstanding any other law to the  
 16 contrary, any levy adopted by a School Finance Authority  
 17 created under Article 1F of this Code is valid and shall be  
 18 extended by the county clerk if it is certified to the county  
 19 clerk by the Authority in sufficient time to allow the county  
 20 clerk to include the levy in the extension for the taxable  
 21 year.

22       Section 99. Effective date. This Act takes effect upon  
 23 becoming law.