Proposed Amendments – Part 575 (School Technology Program)

Materials: Recommended Amendments

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Purpose of Agenda Item

To present the proposed amendments as an item for future action and secure authorization to distribute them for public comment.

Expected Outcome(s) of Agenda Item

A motion for future action on this set of amendments, constituting the Board’s authorization to staff for publication of the rules in the Illinois Register to elicit public comment.

Background Information

P.A. 90-548, effective January 1, 1998, established the School Technology Revolving Loan Fund (see Section 2-3.117a of the School Code). In order to put the program in place as soon as possible, the agency in May of that year promulgated emergency rules (23 Ill. Adm. Code 575, Subpart B). The emergency rules and the subsequent ordinary rulemaking were formulated by a committee representative of various divisions of the agency and established parameters for the submission of applications, use of the loan proceeds, repayment procedures, and terms of the loan agreement.

The School Technology Revolving Loan Program is the first revolving loan program that the agency has operated. As such, staff have identified procedural concerns not envisioned by the original team when the rules were first written. The rules now need to be amended in order to address these concerns. Additionally, a review by the Internal Audit Office also highlighted areas that the initial rules failed to address. In response, staff are proposing several changes to the current rules, and those changes are summarized below.
Analysis and Implications for Policy, Budget, Legislative Action and Communications

Policy Implications: At the time that the legislation establishing the School Technology Revolving Loan Fund was enacted, the General Assembly intended that the program be straightforward and easy for school districts to access. For that reason, staff developed a one-page loan application and required little in the way of reporting regarding use of loan proceeds, other than what was approved in the school district’s application. In order to provide for better accountability for the program and to address certain procedural concerns, the following changes are being proposed.

- **Section 575.400(b) and (c).** The current rules require that a board of education approve an application describing the proposed use of the loan proceeds; however, the rules are silent as to what evidence must be provided to ensure that that occurs. In order to accomplish this, the proposed change would require that the president of the board of education sign the application. It is also proposed that the rules explicitly state the current requirement that the superintendent certify on the application that the board approved the submission of the application and the date of that approval.

- **Section 575.400(c).** The rules currently provide that a loan application be received no later than 30 days following board approval. In order to clarify for applicants what will occur in instances when the application is received later than that deadline, proposed language will provide that the late application be returned to the applicant, with the indication that it can be resubmitted for consideration once all of the application requirements have been met.

- **Section 575.500(a).** Staff have proposed to expand from 15 calendar days to 20 calendar days the time period for notifying a district of an incomplete application. This will allow the current staff member responsible for the program sufficient time for a thorough review of applications received. Staff state that this change will not adversely affect applicants.

- **Section 575.600(b)(3).** The rules currently provide that any payment not received within 15 calendar days of the due date will be assessed a late fee equal to 5 percent of the payment due. Experience with the program has revealed reasons for late payments that are beyond the control of the school district (i.e., postal delays or lost mail). In these instances, staff would like to waive the late fee, provided sufficient evidence is provided that the payment was mailed in a timely manner. Staff are proposing that for postal delays (i.e., the check arrives within 60 days following the payment due date), the postmark on the envelope must be dated five days before the end of the grace period in order for the late fee to be waived. For payments not received within 60 days of the due date, the late fee would be waived if the district provides within a specified timeframe a copy of the check that was mailed (dated at least five days before the end of the grace period), a stop payment order for that check, and a new check for the amount due.

- **Section 575.700.** Several new accountability provisions are being proposed, most notably that recipients found to be spending the loan proceeds in a manner other than what was approved, as stated in the application, be required to repay the
principal of the loan and the interest accrued to date upon written notification from
the State Board of Education. Additionally, all applicants receiving loans beginning
in FY02 will be required to submit an expenditure report to the State Board on a form
that the agency will supply to recipients. Using the report, staff will be able to ensure
that loan proceeds have been appropriately spent.
• Finally, other technical changes are being proposed to make the original intent of the
rules more clear. These will not substantively change the current requirements.

Budget Implications: None.

Legislative Implications: None

Communications: Please see "Next Steps" below.

Pros and Cons of Various Actions

The proposed amendments strengthen the agency’s ability to effectively implement the
School Technology Revolving Loan Program for its intended purpose by holding all loan
recipients more accountable for the use of the funds. At the same time, changes such
as waiving the late payment fee in certain instances, provide the flexibility necessary so
that participants are not unduly penalized for actions beyond their control. If these
proposed amendments are not moved forward, the program will continue to operate as
it has in the past, and staff will be unable to respond to both their concerns and those of
the agency’s Internal Audit Office.

Superintendent’s Recommendation

Accept the proposed amendments as an item for future action and direct their
dissemination for public comment.

Next Steps

With the Board’s authorization, staff will submit the proposed amendments to the
Administrative Code Division for publication in the Illinois Register to elicit public
comment.