TO: Illinois State Board of Education

FROM: Robert E. Schiller, Superintendent
       David Wood, Director

Agenda Topic: Discussion Item: Financial Oversight Panel and School Finance Authority Status

Materials: Round Lake Annual Report
          Hazel Crest Loan Agreement

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Purpose of Agenda Item
To update the Board on the status of the various state Financial Oversight Panels and School Finance Authorities.

Expected Outcome(s) of Agenda Item
The Board will understand the financial situation in the school districts with FOP and SFA.

Current Information

East St. Louis FOP
As a result of the lawsuit by the school district, the FOP has requested an increase in their annual budget of over $145 thousand (to $1.2 M) to pay legal fees and implication of an Inspector General.

The Superintendent sent the East St, Louis Superintendent and Board a letter recently requesting a number of actions and reports on formalizing their financial activities.

Round Lake SFA
See attached first Annual Report of the SFA
The District and SFA are beginning negotiations with the teachers union for next year.

**Hazel Crest SFA**

The Loan Agreement has been drafted; the Comptroller has transferred the first $1.5 M to the School District Emergency Financial Assistance Fund; and the State Board will voucher the funds to the SFA when the Agreement is signed.

Legislation is necessary to exempt the SFA from the Property Tax Extension Limitation Law (PTELL) so that it may levy to repay the state loan and, if necessary, levy to operate the school district next year.

The SFA believes that the school district will be able to make it through this year and could, with significant reductions in expenditures, make it through next year as well.

Negotiations continue with surrounding districts regarding possible consolidation.

**Livingston FOP**

The FOP and Financial Advisor are in place and are developing the district financial plan and cash flow. It is too early to know whether they can make it through the year without additional resources.

The state loan of $237 thousand remains available.

The district denied the petition against the issuance of $155 thousand in working cash bonds but a petition is expected against the issuance of 11 year bonds to restructure their short term G.O. Notes and Teachers Orders.

ISBE is trying to reallocate funds for a consolidation study.

**Cairo FOP**

The FOP is in place and the RFP for the Financial Advisor closes March 27. It is likely that the FOP will need additional outside legal assistance.

A financial plan and cash flow have not yet been developed and it is too early to know whether they can make it through the year without additional resources but preliminary data suggests it will be difficult without some state loan.

The state grant of $231 thousand was sent and the FOP has not yet requested a state loan ($925 thousand). Given the cash flow in the School District
Emergency Financial Assistance Fund, it is unlikely that more than $300 to $500 thousand will be available for a state loan without additional state resources.

Several legislators have complained that most of the state grant is being used to support the FOP at the expense of several teachers.

A major employer and portion of their EAV is closing and the impact of this is still uncertain.

**Venice School District**

The CPS firm hired to do their FY02 audit found no useable records and just completed the task of reconstructing them. ISBE is talking to the ROE about hiring another firm to now perform the audit. From the CPA's working papers, Carl Holman, the ISBE Regional Finance Consultant (RFC) assigned to the district, believes that the district may not make it through the rest of this year.

**Next Steps**

Continue to update the Board on the status of these school districts and work toward the financial stability of the school districts with FOP and SFA.