AGENDA

1. Public Participation

2. Minutes of October Finance & Audit Committee Meeting *(pp. 2-3)*

3. Illinois Purchase Care Review Board (Special education care facilities rate approval process) (Tim Imler and Chris Koch) *(pp. 4-15)*

4. Illinois Program Accounting Manual (Linda Mitchell and Deb Vespa) *(pp. 16-34)*

5. Update on Request for Plans from School Districts Certified as in Financial Difficulty (Linda Mitchell and Deb Vespa) *(pp. 35-36)*

6. FY 2007 Budget Update (Linda Mitchell and Ronny Wickenhauser) *(pp. 37-42)*


8. Additional Items

* Items listed with an asterisk (*) will be discussed in committee and action may be taken in the plenary session.
FINANCE & AUDIT COMMITTEE
October 20, 2005
Danville Community College, Danville, Illinois

Committee Members Present
Ed Geppert, Chair
Brenda Holmes
Dean Clark

Other Board Members Present
Jesse Ruiz
David Fields
Vinni Hall
Joyce Karon
Chris Ward

Staff Present
Randy Dunn
Linda Riley Mitchell
Ronny Wickenhauser
Debbie Vespa

Committee Members Absent
Andrea Brown

Mr. Geppert began the committee by thanking Dr. David Fields for bringing the Board to Danville in these beautiful facilities.

1. PUBLIC PARTICIPATION: Chairman Ed Geppert asked if there was anyone that wished to speak to the committee. No one came forward. Mr. Geppert announced that there would be an opportunity for testimony at the Budget Hearing immediately following this committee meeting.

2. MINUTES OF THE SEPTEMBER FINANCE & AUDIT COMMITTEE MEETING: Chairman Ed Geppert asked if anyone had any corrections to make to the September 21 minutes. Hearing none, the minutes will be placed on file.

3. SCHEDULING OF FY07 BUDGET HEARINGS
Staff is proposing hearings in addition to today’s hearing in Danville. The hearing sites proposed would be Quincy, Mt. Vernon, Westmont/suburban area, Springfield and Chicago and they will be conducted sometime between November and January. It was suggested that it may be better for the suburban and downstate hearings to be scheduled during the evening hours, perhaps between 6:00 – 8:00 p.m.

4. FY07 BUDGET OUTLOOK
The Committee and staff reviewed information in the Committee packet and staff answered questions on the following:
   o Update on union contract
   o Discussed new FY06 budget initiatives and their impact on FY07 budget
   o Discussion of new assessments in FY06 and impact on FY07 budget
   o Discussed Alzina lease
   o Presented Board with additional staffing requests
   o Board members questioned whether staffing needs should be increased or rearranged
   o Updated board on potential increases in personnel costs for FY07
   o Discussion of agency technology needs
   o Discussion of new writing assessment in FY07 and impact on budget
   o Discussed teacher certification operations and potential shortfall in FY07
   o Discussed briefly ROEs, District Consolidation costs, other state funds, CRSA
   o Discussion of new legislation and impact on FY07 budget
   o Presented the Board a spreadsheet outlining impact of federal reductions to SFY06/FFY05. SFY07/FFY06 budget is still in limbo (has not been passed by Congress yet)
5. **PRELIMINARY ASSESSMENT OF STRATEGIC PLAN IMPACT ON THE FY07 BUDGET**
   The Committee and staff reviewed information in the Committee packet and staff answered questions on the projected impact of the Strategic Plan on the FY07 Budget:

6. **ADDITIONAL ITEMS**
   Ms. Mitchell announced that the Agency will appear before the Legislative Audit Commission on October 25, to discuss the June 30, 2004 Financial Audit and Compliance Examination for the State Board of Education and the December 30, 2004 Statewide A-133 Single Audit. She also stated that the Board will be asked to review possible revisions to the Illinois Program Accounting Manual at the November meeting. An update on the status of the Agency's role in the operations of the Illinois Purchase Care Review Board which reviews rates for private placement of special education service providers will also be presented.

**Adjourn:** The Finance and Audit Committee meeting adjourned at 1:55 p.m.
TO: Illinois State Board of Education

FROM: Dr. Randy J. Dunn, State Superintendent of Education
Linda Mitchell, Chief Financial Officer

Agenda Topic: Illinois Purchased Care Review Board

Materials: Enclosed Power Point Presentation

Staff Contact(s): Tim Imler, Division Administrator, Funding & Disbursements

Purpose of Agenda Item
To discuss the function of the Illinois Purchased Care Review Board (IPCRB) including recent financial issues pertaining to per diem rate setting and school district claim reimbursement.

Relationship to/Implications for the State Board’s Strategic Plan
Goal 2

Expected Outcome(s) of Agenda Item
A better understanding of the IPCRB function and related financial issues.

Background Information
Recent growth in special education private facility reimbursement claims from school districts has raised the awareness of the IPCRB and the interrelationship to per diem rates used by local education agencies in making placement determinations for special education students in private facilities.

Analysis and Implications for Policy, Budget, Legislative Action and Communications
None at this time

Pros and Cons of Various Actions
Contained within the enclosed Power Point presentation.
Funding and Disbursements Division

Illinois Purchased Care Review Board

- Background
- Reimbursements
- Calculations
- Board structure
Illinois Purchased Care Review Board (IPCRB)

Background

-- IPCRB was formed August 1978 under Section 14-7.02 per PA 80-1405.

-- Transitioned to ISBE from CMS per PA 89-21 in 1995.

-- IPCRB reviews and approves the costs provided by private special education facilities to determine tuition and residential per diem rates.

-- Per Diem rates are calculated via a complex financial formula delineated in Title 89: Social Services, Chapter V: IPCRB, Part 900 administrative rules.

-- The Division of Funding and Disbursements provides administrative and staff support for the Board (1.5 Professional FTE and 1 FTE Clerical support). Special Education provides support as well.
Illinois Purchased Care Review Board (IPCRB)

Background – Board Structure

IPCRB membership per Section 14-7.02 consists of the following persons or agency designees:

-- Director of Dept of Children and Family Services
-- Director of Dept of Human Services
  Office of Rehabilitation Services
  Bureau of Community Reimbursement
-- Director of Dept of Public Health
-- Director of Dept of Public Aid
-- Director of Bureau of the Budget
-- State Superintendent of Education
-- Such other persons as the Governor may designate
Illinois Purchased Care Review Board (IPCRB)

Reimbursements—
- Private facility tuition claims have increased due to higher:
  - private facility students claimed and
  - tuition rates

- Chicago Dist 299 receives 48.4% of the Sp Ed Private Facility appropriation each year.
## IPCRB & Special Education Private Facility Tuition Reimbursement

<table>
<thead>
<tr>
<th>RATE INFORMATION</th>
<th>02-03 Yr (FY 04 Claims)</th>
<th>03-04 Yr (FY 05 Claims)</th>
<th>% Change</th>
</tr>
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<tr>
<td>Average Per Diem Rate</td>
<td>$117.86</td>
<td>$135.02</td>
<td>14.6%</td>
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<tr>
<td>Out of State Placements w/ Illinois Students</td>
<td>13 States-234 Students Range $153 - $58 $1,407,496</td>
<td>13 States-216 Students Range $276 - $62 $1,709,900</td>
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<table>
<thead>
<tr>
<th>CLAIM INFORMATION</th>
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<tr>
<td>Downstate Claim</td>
<td>$33,719,769</td>
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<tr>
<td>Downstate Prorated</td>
<td>$30,662,226 @ 90.9%</td>
</tr>
<tr>
<td>Number of Pupils</td>
<td>5,834</td>
</tr>
</tbody>
</table>
IPCRB & Special Education Private Facility Tuition Reimbursement

- Multiple variables in the per diem formula (rules set in Part 900)
  - Inflation factor and medians
  - Variables such as the allowable costs and revenue offsets
  - Expenditures are capped based on different cost categories – Support, Occupancy and Admin.
IPCRB & Special Education Private Facility Tuition Calculations

- Special Ed Private Tuition contains multiple variables
  
  - Purchased Care Review Board
  
  - Part 900 IPCRB Rules which govern per diem rate setting
  
  - District reimbursement formula in Section 14-7.02. Unlimited State reimbursement over two per capita tuition charges.
IPCRB Tuition Reimbursement Calculations

- Special education pupil reimbursement consists of multiple sections of the School Code

  - Special ed pupil funding:
    - Private Facility (14-7.02),
    - Extraordinary (14-7.02(b)),
    - Summer School (18-4.3)
    - Orphanage (14-7.03).

  - Private Facility can be prorated based upon a reimbursement calculation and available appropriation.

  - For other mandated categorical spending, Extraordinary is based on a “block grant method” (base year, child count and poverty).
IPCRB Tuition Reimbursement Calculations

- Special ed calculation is complex
  - State shares the financial obligation with the district
  - Calculation is currently based on reimbursement above 2 per capita charges per Section 14-7.02
IPCRB Board Structure

- IPCRB today is largely designees of agency directors (state employees) per statute
  - ISBE staff performs majority of all rate calculations.
  - ISBE staff presents the IPCRB with coordinated residential rates from other state agencies.
  - IPCRB approves rates (one member is an ISBE employee, others are other state employees).
ILLINOIS STATE BOARD OF EDUCATION MEETING
November 16, 2005

TO: Illinois State Board of Education

FROM: Dr. Randy J. Dunn, State Superintendent of Education
       Linda Mitchell, CFO


Materials: Rational Behind Proposed Accounting Rule Revisions
           Summary of Changes to the Chart of Accounts
           New Draft Accounting and Auditing Rules

Staff Contact(s): Debby Vespa
                 Lou Ferratier

Purpose of Agenda Item
Inform the Finance and Audit Committee of recommended revisions to Parts 110 and 125 of the Illinois Administrative Code Rules and Regulations.

Relationship to/Implications for the State Board’s Strategic Plan
This agenda item is linked to the Strategic Plan Goal 3: Expanding Data-Informed School Management & Support Practices. These revisions will further enhance ISBE’s ability to be more proactive and better identify school districts financial needs; therefore, assisting with the Goal 3 Initiative -- Develop a suite of services and interventions for assisting Illinois’ most chronically fiscally distressed school districts (along with their Financial Oversight Panels or School Finance Authorities) to resolve their financial crises.

Expected Outcome(s) of Agenda Item
Proceed forward with recommended revisions and continue communication of revisions with external constituents to obtain their recommendations.

Background Information
The Illinois Program Accounting Manual has not been updated since March 1994. Since that time there have been revisions to state and federal statutes, districts conforming to GASB 34, and the implementation of the Financial Profile. These revisions are recommended to align IPAM with the state and federal requirements, enhance the Financial Profile, and to assist district as they conform to GASB 34. It is the desire of the School Business and Support Services Division to present these draft rules to the Finance and Audit Committee, obtain comments and suggestions, and begin to present the draft rules to external constituents to obtain their comments and suggestions. After the external constituents’ comments and suggestions are received, the drafted rules will be modified and presented to the Board for formal adoption.
Analysis and Implications for Policy, Budget, Legislative Action and Communications

Policy Implications: The recommended revisions to the Rules and Regulations would require school districts to modify their accounting practices and systems. To keep the modifications of the accounting structure to a minimum, as the revisions were drafted, the current accounting structure utilized by districts was kept in mind and not modified. With these revisions, district will have to rename funds and incorporate new account functions and/or objects. For example, the previous “Rent Fund” will be renamed to the newly created “Tort Immunity Fund”, a series 9000 Functions will be created to allow districts to account for the value of their food commodities, e-rate discounts, etc; and 700 and 800 series objects will be renamed from Transfers and Tuition to Non-Capitalized Equipment and Termination Benefits. These rules will also define “balanced budget” as required by PA 94-0234 (SB 1853).

Budget Implications: For ISBE there will be budget implications for communication to and training/workshops for school districts. For school districts, the budget implications will be directly related to how much renaming of Funds, Functions, and Objects within their accounting systems they can do with their own personnel or to what degrees they will have to rely upon their software companies.

Legislative Action: None

Communication: The projected implementation for this is not until FY 2007. There will have to be a significant amount of communication to and training for district personnel as well as auditing firms. External constituents have stated they would assist ISBE with this endeavor. We currently conduct a series of annual workshops, in conjunction with IASBO, to auditing firms and school administrators.

Pros and Cons of Various Actions

Pros: These revisions will bring about enhance accounting practices for school districts to follow and will also enhance accountability and the Financial Profile for districts. These revisions will also assist school districts as they convert to GASB 34 and complete their state and federal grants.

Cons: These revisions will require districts to modify their accounting systems. As we have maintained the current structure of the accounting system, renaming of some Funds, Functions, and Objects will be required. There will also be a definite need for communication to and training of district personnel and auditors.

Superintendent's Recommendation

No recommendation needed at this time.

I recommend that the following motion be adopted:

No motion required at this time

Next Steps

School Business and Support Services will continue convening meetings with external constituents to obtain their comments and suggestions. The rules will be modified accordingly and then presented to the Board for formal adoption.
State level driving forces:

- P.A. 93 – 1036 calls for the review all current rules in an effort to streamline procedures, improve efficiency, and eliminate unnecessary forms and paperwork.

- P.A. 94 – 0234 requires modification of the rules to define what constitutes a deficit budget and to set timelines for various reporting requirements. This legislation also explicitly linked the ‘financial profile’ to determination of districts in financial difficulty.

- H.B. 3480 regarding accounting for revenues and expenditures stemming from ‘vendor contracts’ requires definitions and modifications of the budget and AFR.

Federal level driving forces:

- Reinterpretation of Indirect Cost Rate Rules by the Federal Department of Education requires modification of Chart of Accounts to explicitly identify ‘termination benefits’ and certain ‘early retirement incentives’.

- New edition of the Federal Accounting Handbook necessitates reexamination of crosswalk between Illinois Chart of Accounts (IPAM) and NCES reporting requirements.

Other driving forces:

- Additional accounts are needed to allow districts that choose to compile GAAP based financial reports to do so.

- Newly adopted state and federal grants and reimbursements require continuous revision of revenue source codes in Chart of Accounts.

- Increased use of ‘creative financing’ authorized through the Local Government Debt Reform Act, PTiELL, and other legislation effects a need for modification of long and short term debt reporting requirements.

- Evolution of the School Construction Program requires revisions in accounting and reporting concerning the financing of capital projects.

Issues and Concerns:

- Tort tax litigation underlies the need to segregate these revenues and expenditures to meet spirit of law and reduce distortion of other operating funds.

- Indirect Cost Rate Plan has not yet been approved by the Department of Education and may require further changes in Chart of Accounts and reporting requirements.

- Chicago District # 299 could be allowed to adopt their own unique Chart of Accounts provided they file with ISBE, and keep current a detailed crosswalk from their Chart of Accounts to the Chart of Accounts applicable to all other school districts and joint agreements. They could then also apply for an indirect cost rate plan based upon their Chart of Accounts.
Township Treasurers in Cook County file Annual Financial Reports for the School Districts they serve, however no financial reports are received relating to the Township Boards of Trustees. While no such reports would be required if the Boards of Trustees do not retain title to any common school lands nor maintain any permanent school funds, there is no documentation to certify such a condition. Also the statutes do not currently explicitly require that the Township Treasurers file AFR's for their school districts, although they are required to secure an audit of such accounts.

Current rules do not address the issues of ‘Capitalization Thresh-holds’ and ‘Depreciation Rates’. A number of school districts have adopted capitalization thresh-holds above the $500 implicit in current procedures for calculation of per capita cost under Section 18-3 of the School Code. This problem is addressed in the proposed rule revision, but there are alternative approaches.

See Attachment 1 for a listing of proposed changes.
SUMMARY OF CHANGES TO CHART OF ACCOUNTS

Draft

1. The Rent Fund is eliminated and a newly created Tort Immunity Fund is substituted.

2. The Bond & Interest Fund is renamed as the Debt Service Fund.

3. The Site & Construction / Capital Improvement Fund is renamed as the Capital Projects Fund.

4. Additional Balance Sheet Accounts have been added to address GAAP based reporting requirements.

5. New revenue functions have been added to capture:
   - Impact fees from municipal or county governments - 1930
   - Payments of 'surplus monies' from TIFF Districts - 1960
   - Drivers Education fees - 1970
   - Proceeds from Vendors Contracts - 1980

6. The 8000 Series of Functions (Uses) is expanded to address the receipt of pledged revenues and other funds transferred into to the Debt Service Fund and to the Capital Projects fund.

7. The 9000 Series of Functions is added to provide for Other Resources such as e-rate discounts, value of food commodities, value of textbooks via textbook loan, tax credits on QZAB's, etc.

8. New instruction functions are created to capture Pre-k Instructional Expenditures - Pre-K Special Ed.; Pre - K Title I; and Pre - K Regular)

9. A new instruction function is created to capture Drivers Education Expenditures.

10. Additional functions are added within the Instruction function to capture Tuition paid to private entities. The object code will be 'Other". (1910 - 1920)

11. The 2300 Series of Functions is also expanded to include:
   a. expenditure functions used exclusively by ROE/ISC's. (2340 - 2349)
   b. Expenditure functions required for the Tort Immunity Fund (2351 - 2359)

12. The 4000 Series of Functions (Nonprogrammed Charges) is renamed 'Payments to Other LEA's' and expanded to incorporate the tuition and transfer transactions associated with payments to LEA's for tuition and other purposes.

13. The 5000 Series of Functions (Debt Services) is expanded to explicitly identify the various payments of principal and interest on long term debt and interest payments on short term debt.

14. The 7000 Series of Functions (Sources) is expanded to address the transfer of pledged revenue and other funds from operating funds to the Debt Service Fund and to the Capital Projects fund.

15. The Object Classes - 700 Series (Transfers) & 800 Series (Tuition) have been reclassified within the 600 Series (Other Objects) in combination with new Function Codes; while the new Object Classes of Non-Capitalized Equipment (700) and Termination Benefits (800) have been added.
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<th>SECTION</th>
<th>TITLE</th>
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<td>Purpose and Applicability</td>
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<tr>
<td>PPP.20</td>
<td>Definitions</td>
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<td>PPP.30</td>
<td>General Requirements</td>
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<tr>
<td>PPP.40</td>
<td>Requirements applicable to intra-fund and inter-fund transactions</td>
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<tr>
<td>PPP.50</td>
<td>Classification and treatment of Capital Assets, Supplies and Depreciation</td>
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<tr>
<td>PPP.60</td>
<td>Requirements applicable to Revolving Funds</td>
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<td>PPP.70</td>
<td>Requirements applicable to Student Activity Funds</td>
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<td>Annual Budget Requirements</td>
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<tr>
<td>PPP.90</td>
<td>Annual Financial Reports and Other Reporting Requirements</td>
</tr>
<tr>
<td>PPP.100</td>
<td>Annual Audit Requirements</td>
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Section PPP.10 Purpose and Applicability.

a) The purpose of this Part is to implement the requirements of Sections 2-3.27 and 2-3.28 of the School Code. [105 ILCS 5/2-3.27; 2-3.38]

b) Pursuant to Section 2-3.27 of the School Code, the State Board of Education shall publish and keep current, at least annually, as soon after legislative action regarding appropriations as may be, and more frequently as other legislative or judicial actions may require, a bulletin or bulletins addressing the topics identified therein, including, but not be limited to:

1) Updated account classification (coding) summary tables that list and define the classifications and codes to be used in LEA Charts of Accounts.

2) Guidance regarding the recording and treatment of transactions as needed to clarify accounting/auditing issues that have arisen since the publication of the last bulletin.

3) Guidance regarding other budgeting, accounting, auditing, or reporting matters as may arise in the course of operations.

c) Applicability:

1) These rules apply to public school districts organized under the provisions of the Illinois School Code [105 ILCS 5] including districts established pursuant to Article 34 of the School Code; cooperatives, joint agreements, or vocational education delivery systems established pursuant to Sections 10-22.20a, 10-22.31, 10-22.31a and 10-22.31b of the School Code or an intergovernmental agreement entered into under applicable provisions of the Intergovernmental Cooperation Clause of the Illinois Constitution (Ill. Const. 1970, Art. VII, Sec. 10) as well as the Intergovernmental Cooperation Act (5 ILCS 220/1) ;Educational Service Centers (Intermediate Service Centers) pursuant to Sections 2-3.62 and 2-3.17a of the School Code; and Regional Offices of Education pursuant to Sections 2-3.17 and 2-3.17a of the School Code [105 ILCS 5/2-3.13, 2-3.17a].

2) These rules do not apply to charter schools established pursuant to Article 27A of the School Code which are subject to the requirements imposed by Section 27A-5(f) of the School Code. [105 ILCS 5/27A-5(f)]
Section PPP.20 Definitions.

Words and phrases shall have the meaning(s) as specified in this section unless the context requires otherwise.


b) A ‘revolving fund’, is a fund maintained for the purpose of providing for disbursements for which the district wishes to issue a check but, because of the timing or emergencies, cannot pay through the regular disbursement procedure of the district.

c) A ‘Petty Cash Fund’ is a fund that sets aside a sum of cash for the purpose of making change or immediate payments of comparatively small amounts. Payments made through petty cash shall be restricted to those cases where amounts involved are so small that processing through the usual procedures would be uneconomical.

d) ‘Student activity funds’ are funds owned, operated, and managed by organizations, clubs, or associations within the student body under the guidance and direction of one or more staff members for educational, recreational, or cultural purposes. (Examples of student activity funds include: Homeroom, Yearbook, Class Year, Choral and Band Group, Class Projects, Student Clubs, Student Council, Student-Sponsored Bookstores.)

e) A ‘capital asset’ is any parcel of land, building, improvement to land other than buildings, instrument, machine, apparatus, or set of articles which meets all of the following criteria:

1) Under normal conditions of use, including reasonable care and maintenance, it can be expected to serve its principal purpose for longer than twelve months;

2) It does not lose its identity through fabrication or incorporation into a different or more complex unit or substance;

3) It is nonexpendable; that is, if it is damaged or some of its parts are worn out, it is more feasible to repair the item than to replace it with an entirely new unit;

4) It retains its appearance and character through use; and

5) The cost equals or exceeds the capitalization threshold adopted by the LEA.

f) ‘Works of Art and Historical Treasures’ consist of individual items or collections of items that are of artistic or cultural importance and are non-depreciable.
g) ‘Non-depreciable Land’ reflects the acquisition value of land owned by an LEA. If land is purchased, this account shall include the purchase price and costs such as legal fees, filling and excavation costs, and other associated improvement costs.

h) ‘Depreciable Land’ reflects the acquisition value of land owned by an LEA and used for school bus storage/maintenance with depreciation claimed under the pupil transportation reimbursement program.

i) ‘Permanent buildings and building improvements’ consist of buildings and additions, either existing or to be constructed that are properly classified as real estate. Included are expenditures for installment or lease payments (except interest) which have a terminal date and result in the acquisition of buildings, except payments to public school housing authorities or similar agencies. Expenditures for major permanent structural alterations and the initial or additional installation of heating and ventilating systems, electrical systems, plumbing systems, fire protection systems, and other service systems in existing buildings are also included.

j) ‘Temporary buildings and building improvements’ consist of buildings and additions, either existing or to be constructed that are properly classified as personal property and are primarily characterized by the absence of a permanent foundation. Included are expenditures for installment or lease payments (except interest) which have a terminal date and result in the acquisition of buildings, except payments to public school housing authorities or similar agencies. Expenditures for major structural alterations and the initial or additional installation of heating and ventilating systems, electrical systems, plumbing systems, fire protection systems, and other service systems in existing buildings are also included.

k) ‘Equipment – 3 year schedule’ consists of repairs or modifications to a pupil transportation vehicle, pupil monitoring equipment installed on school buses including video cameras, and computer equipment used exclusively in the food service program.

l) ‘Equipment – 5 year schedule’ consists of pupil transportation vehicles used to transport students, driver education cars, vehicles and / or transportation equipment used exclusively in the food service program, and equipment necessary for the operation of a special educational facility.

m) ‘Equipment – 10 year schedule’ consists of all other capitalized equipment not included in the 3 year or 5 year schedules as defined above, and includes but is not limited to other equipment used in food service program, other equipment used in the driver education program, two-way transportation vehicle communication systems, pupil transportation equipment not installed in the vehicle, service vehicles (such as a tow truck) used to service pupil transportation vehicles, and other capitalized equipment.

n) ‘Construction in Progress’ consists of the cost of construction work undertaken but not yet completed.
o) ‘Non-capitalized equipment’ consists of any instrument, machine, apparatus, or set of articles which meets the criteria for capital assets except that the cost of the item is at least $500 but less than the capitalization threshold adopted by the LEA.

p) ‘Supplies’ consist of items of a consumable nature not classified as capital assets or non-capitalized equipment.

q) ‘Balanced Budget’ consists of a budget wherein the net operating revenues of the operating funds equal or exceed the net operating expenditures of the operating funds.

r) ‘Operating Funds’ consist of the Educational, Operations and Maintenance, and Transportation funds.

s) ‘Net Operating Revenue/Receipts’ consist of all revenues except on-behalf payments, and those revenues pledged to finance long term debt.

t) ‘Net Operating Expenditures’ consist of all expenditures except on behalf payments, and those disbursements made to pay principal on long term debt or to acquire capital assets.

u) ‘Revenues’ consist of transactions involving the receipt of cash without creating a liability or without canceling an asset. For example, tax collections are revenues, but cash received from the sale of tax anticipation warrants is not revenue since a concurrent obligation is incurred to repay at a later date. Revenues act to increase the fund balance, i.e., the equity of the fund.

v) ‘Expenditures’ consist of transactions involving the disbursement of cash or the establishment of an obligation without creating an asset or without canceling a liability.
PPP.30 General Requirements.

a) Each LEA shall use an appropriate set of journals and ledgers for the recording, summarization, and control of transactions, utilize the double-entry bookkeeping method and a fund accounting system.

b) Each LEA shall establish and maintain the number and types of funds necessitated by the nature and scope of its operations, including but not limited to: general funds, special revenue funds, capital project funds, debt service funds, enterprise funds, and agency funds, utilizing a Chart of Accounts that complies with this Part.

c) Each chart of accounts must incorporate the following dimensions: fund / fund group; balance sheet accounts; revenue sources, and where applicable assigned project/reporting codes; expenditure purposes/functions; and expenditure objects.

d) An LEA may use additional dimensions in its chart of accounts to encode information regarding fiscal and/or calendar year; transaction types; instructional organization, operational units, job classifications, school terms, subject matter areas, programs, or other informational items.

e) Account numbers shall be used as listed in TABLES A through E of this Part or as listed in a subsequent bulletin issued pursuant to these rules, provided that LEA’s shall not change the description for a listed account code; can assign any number not listed, if the new description is within the proper category or classification; and may incorporate either a prefix or suffix or both to the account codes/numbers listed in this part when assigning local account codes provided that the root code listed in this part remains discernable for purposes of aggregation and reporting of information.

f) Descriptions, assigned account codes, and definitions:
   1) TABLE A lists the above information for Funds to be used for reporting purposes;
   2) TABLE B lists the above information to be used for balance sheet accounts;
   3) TABLE C lists the above information to be used for revenue accounts;
   4) TABLE D lists the above information to be used for expenditure accounts; and,
   5) TABLE E lists the above information to be used for expenditure object categories/accounts.

OR ALTERNATIVELY

g) Descriptions, assigned account codes, and definitions for Funds, Balance Sheet Accounts, Revenue Accounts, Expenditure Accounts, and Object Classifications/accounts may be found as Tables A through E in the publication issued pursuant to Section PPP.10a (2) of the Part.
Section PPP.40- Requirements applicable to intra-fund and inter-fund transactions

a. Interest earnings on:

   i) taxes or bonds shall be treated in accordance with the provisions of Sections 10-22.14, 10-22.44, 17-2.2a, 17-2.3, 17-2.11, 20-5 and 27-23 of the School Code; provisions of the Illinois Pension Code, and provisions of the Local Governmental and Governmental Employees Tort Immunity Act;

   ii) state grants and awards shall be treated in accordance with provisions of the Illinois Grant Funds Recovery Act;

   iii) federal grants and awards shall be treated in accordance with federal regulations.

b) Unless otherwise provided by statute or specified by board resolution adopted prior to June 30 of a fiscal year, earnings shall be added to and become part of principal as of June 30 of the fiscal year.

c) Premiums on Bonds: Premiums on bonds shall be treated in accordance with the provisions of Section 10-22.14 of the School Code.

d) Inter-fund Loans: Loans from the Working Cash fund to any other fund are subject to the provisions of Sections 20-4 and 20-5 of the School Code, while any other loans between or among funds are subject to the provisions of Section 10-22.33 of the School Code.

e) Permanent transfers between funds:

   i) Where revenues or other available funds are pledged to pay debt service on any long term debt such moneys shall be transferred into the Debt Service Fund.

   ii) Where revenues or other available funds are pledged to pay for a capital project or acquisition, such moneys shall be transferred into the Capital Projects Fund.

   iii) Abatement or Abolishment of the Working Cash Fund. The Working Cash Fund may be either abated or abolished in accordance with the procedures specified in Section 20-8 of the School Code

   iv) All other inter-fund transfers shall be governed by the applicable provisions of Section 17-2A of the School Code.
Section PPP.50 - Classification and treatment of Capital Assets and Depreciation

a) Minimum Capitalization Threshold: In order to properly account for capital assets each LEA shall adopt a capitalization threshold. (Currently: Pupil Transportation rules [23 IAC Part 120] specify a $2,500 capitalization threshold; Special Education rules [23 IAC Part 130] specify a $2,500 capitalization threshold; Child Nutrition Program guidelines specify a $500 capitalization threshold; Per Capita Cost calculations (105 ILCS 5/18-3) are based on a $500 capitalization threshold, and Federal Regulations [EDGAR ] specifies a $5,000 capitalization threshold.)

b) For purposes of calculating per capita costs in conformity with Section 18-3 of the School Code, the allowance shall include both depreciable capital assets and non-capitalized equipment.

c) Unless otherwise specified by state or federal law or regulation, useful lifetimes and annual depreciation rates of various classes of capital assets and non-capitalized equipment (defined in Section PPP.20 of this Part) shall be based on the following:

<table>
<thead>
<tr>
<th>Classification</th>
<th>Estimated Useful Lifetime</th>
<th>Annual Depreciation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Works of Art &amp; Historical Treasures</td>
<td>∞</td>
<td>0%</td>
</tr>
<tr>
<td>Non-depreciable Land</td>
<td>∞</td>
<td>0%</td>
</tr>
<tr>
<td>Depreciable Land</td>
<td>∞</td>
<td>0%</td>
</tr>
<tr>
<td>Permanent Buildings</td>
<td>50 yrs.</td>
<td>2%</td>
</tr>
<tr>
<td>Temporary Buildings</td>
<td>20 yrs.</td>
<td>5 %</td>
</tr>
<tr>
<td>Improvements other than buildings (Infrastructure)</td>
<td>20 yrs.</td>
<td>5%</td>
</tr>
<tr>
<td>Equipment 3 Year Schedule</td>
<td>3 yrs.</td>
<td>33 1/3%</td>
</tr>
<tr>
<td>Equipment 5 Year Schedule</td>
<td>5 yrs.</td>
<td>20%</td>
</tr>
<tr>
<td>Equipment 10 Year Schedule</td>
<td>10 yrs.</td>
<td>10 %</td>
</tr>
<tr>
<td>Construction in Progress</td>
<td>N/A</td>
<td>0%</td>
</tr>
<tr>
<td>Non-Capitalized Equipment</td>
<td>10 yrs.</td>
<td>10%</td>
</tr>
</tbody>
</table>
PART XXX ACCOUNTING RULES

Section PPP.60 Requirements applicable to Revolving Funds

a) Revolving funds and petty cash funds may be established by resolution of the board of education pursuant to Section 10-20.19(2) of the School Code. [105 ILCS 5/10-20.19(2)]

b) The resolution shall establish a policy as to the amounts and types of payments that shall be made from the Fund, state the amount at which the fund shall be established, designate a custodian of the fund, and require that the fund be maintained in compliance with Section 10-20.19 of the School Code and all other applicable laws.

c) In the case of a petty cash fund:

1) The resolution shall also provide authorize a check in the amount of the fund to be drawn payable to the designated custodian.

2) A person other than the custodian of the petty cash fund must approve a disbursement from the petty cash fund by signature.

3) Each petty cash voucher shall be pre-numbered, and each shall be accounted for as having been either used, voided, or unused. Each petty cash voucher shall also provide for the signature of the person to whom cash is paid.

4) Each completed petty cash voucher form shall include the receipt for the disbursement made, along with the proper expenditure account number, or all necessary descriptive information so that an expenditure account code can be assigned.

5) When the larger part of the cash on hand has been disbursed, the custodian shall take the paid petty cash vouchers to the person authorized to prepare and issue checks.

d) In the case of other revolving funds:

1) The resolution shall also provide that the fund(s) shall be maintained in a bank.

2) The total of all checks written since the last reimbursement plus the bank balance for the checking account should equal the amount set aside for the Revolving Fund.

3) Pre-approved documentation such as signed vouchers completed and approved travel requests, approved purchase requisitions or orders and/or invoices must be provided to the custodian of the fund in order that a check can be issued. Checks written must include the proper district expense account code or all necessary descriptive information so that an expense account code number can be assigned.

4) At regular intervals, the Revolving Fund shall be reimbursed up to the original amount of the fund. The check to reimburse the Revolving Fund must be included on the school district monthly bill list, charging the appropriate district expenditure accounts and indicating the name/explanation for each revolving check that was issued.
Section PPP.70 Requirements applicable to Student Activity Funds

a) A board of education may authorize the establishment of student activity funds pursuant to Section 10-20.19(3) of the School Code. [105 ILCS 5/10-20.19(3)], and in doing so shall exercise the following powers and duties:

1) To approve the establishment and purpose of each student activity fund.

2) To set policies for student participation and adult supervision in groups maintaining student activity funds,

3) To approve the collection of all monies by student activity groups.

4) To approve all contracts to be executed by, for, or on behalf of student activity groups.

5) To cause such records to be kept as to verify at all times the amounts received and disbursed and the assets on hand for each student activity fund.

6) To appoint supervisors, sponsors, or advisors for student activity groups who shall be responsible for overall supervision of such groups in accordance with board policies.

7) To appoint an activity fund treasurer(s) to be the custodian of the assets of each student activity fund, who shall be bonded based on the provisions of Section 8-2 of The School Code [105 ILCS 5/8-2].

8) To determine if the treasurer shall be authorized to invest activity funds.

9) To designate depositories for cash and investments.

10) To determine the method of distribution of earnings from the investment of funds:

11) To determine if and when loans can be transacted between accounts.

12) To transfer monies from a student activity fund when the activities served by the account have been discontinued, or if an account has had no activity for at least one year, to another active account, the district's funds, or to group members on a pro rata basis.

13) To designate those person(s) who shall have the authority to approve written purchase orders or authorizations required to spend activity funds.

14) To amend policies to be adhered to by activity fund treasurers and other persons designated as having responsibilities for the management of student activity funds.

b) Each activity group receiving money from whatever source must deposit the money with the treasurer and obtain a signed receipt showing the activity fund and the amount of the deposit.
PART XXX ACCOUNTING RULES

C) Duties and responsibilities of the treasurer. The treasurer

1) Shall be the only custodian of each activity fund.

2) Shall keep all monies on deposit in a depository designated in accordance with Section 8-7 of The School Code [105 ILCS 5/8-7] or invested in conformity with the Public Funds Investment Act [30 ILCS 235/0.01 et. seq.] and shall maintain liability accounts to show ownership of such assets.

3) Shall make all disbursements, but only on orders signed by the person(s) designated pursuant to Section PPP.70a) 13) above. Disbursements shall be made only by the activity fund treasurer's check, drawn upon the appropriate fund.

4) Shall each month reconcile the cash in the bank and investment balances with the liabilities of each fund.

5) Shall make available to each group monthly reports, which shall include a statement of receipts and disbursements and current balances, and shall provide such statements to the board of education monthly.

6) If the board subsidizes a portion of an activity fund, that portion shall be reported as an expenditure or disbursement against the regular budget of that LEA and reported as a revenue or cash receipt of the activity fund.

7) Shall carry over to the next fiscal year the balance of each activity fund unless otherwise instructed by the board of education at the end of the fiscal year.

8) No check shall be written if the bank balance does not contain sufficient funds to cover it.

9) Loans may be made between activity funds if authorized by board policy, in accordance with such policy.

d) Activity funds shall be included in the scope of the audit required to be conducted annually pursuant to Section 3-7 of the School Code. [105 ILCS 5/3-7].

e) Activity funds shall be included as a separate statement in the reports submitted in accordance with Section 3-15.1 of The School Code (Ill. Rev. Stat. 1983, ch. 122, par. 3-15.1). The statement shall show the opening and closing balances and annual activity (receipts/revenues and disbursements/expenditures) for each fund.

f) All purchases shall be made in compliance with the requirements of Section 10-20.21 of The School Code. [105 ILCS 5/10-20.21]
Section PPP.80 – Annual Budget Requirements.

a) Preparation and Adoption.

1) Each school district except those subject to Article 34 of the School Code [105 ILCS 5/34], and the board of education, or regional superintendent, or governing board responsible for the administration of a joint agreement shall prepare and adopt a budget in accordance with Section 17-1 of the School Code [105 ILCS 5/17-1]; while school districts subject to Article 34 shall prepare and adopt a budget in accordance Sections 34-44 through 34-52 of the School Code [105 ILCS 5/34-44 through 34-52]

2) In the case of a school district receiving emergency State financial assistance under Article 1B, the school board shall also be subject to the requirements established under Article 1B with respect to the annual budget.

b) Submission to ISBE. Within 45 days of adoption, but in no case later than November 15, each school district, including districts governed by Article 34 of the School Code, shall submit a copy of the adopted budget on the form provided by ISBE.

c) Posting on the Internet.

1) If a school district other than one subject to Article 34 of the School Code has an Internet web site, the school district shall post its annual budget in accordance with the provisions of Section 17-1.5 of the School Code [105 ILCS 5/17-1.5], while a school district subject to Article 34 of the School Code shall post its annual budget in accordance with the provisions of Section 34-43a of the School Code [105 ILCS 5/34-43a]

d) Deficit Reduction Plans.

1) If the school board of a district adopts a deficit budget as defined in Section PPP.20 of this Part, then that board shall prepare and adopt a deficit reduction plan on the form supplied by ISBE and submit it concurrently with the budget to ISBE.

2) If, subsequent to adoption of a balanced budget, a school board amends the budget in such a manner to cause the budget as amended to become a deficit budget, then within 30 days of such action the board shall prepare and adopt a deficit reduction plan and submit it concurrently with the amended budget to ISBE.
PART XXX ACCOUNTING RULES

Section PPP.90 – Annual Financial Reports and Other Reporting Requirements

a) Each school district, including districts subject to Article 34 of the School code, and every joint agreement; shall cause an annual financial report to be submitted on forms prescribed by the State Board of Education pursuant to applicable provisions of the School Code (Section 3-15.1 in the case of school districts not subject to Article 34, and joint agreements; or Section 34-43.1 in the case of districts subject to Article 34). Such report shall include such additional information or schedules as needed to meet the reporting requirements imposed by Sections 2-3.11, 18-3, 17-1.5, 10-17 and 10-17A of the School Code, as well as the data necessary to allow calculation of indirect cost rates in accordance with the plan submitted to and approved by the U. S. Department of Education, and other financial reporting requirements imposed by federal regulation.

b) Each educational service center shall also submit an annual financial statement meeting the requirements of Section 3-15.1 of the School Code and exhibiting the financial condition of the center for the fiscal year ending on the immediately preceding August 31. [105 ILCS 5/3-15.1]

c) School Districts subject to Article 34. The required report shall provide a detailed accounting of the central level, district (sub district), department, and bureau costs and personnel specified in Section 34-43.1 [105 ILCS 5/34-43.1]. The reporting of specified functions shall be as follows:

A) Part I – Expenditures by Functions, shall summarize expenditures for these functions from the Educational and the Operations and Maintenance Funds.

B) Part II – Expenditures by Location, shall summarize expenditures for the functions shown in Part I by location (central level, sub district, department, citywide, and attendance centers).

C) Part III – Personnel shall include Administrative, Technical/Support, and Clerical Staff by function and by location. The number of positions and salary amounts shall be reported for each of these categories.

d) Statement for Publication - School Districts not subject to Article 34 and Joint Agreements. Each school district and the administrator of a joint agreement shall cause a Statement of Affairs to be published in a newspaper of general circulation in accordance with the provisions of Section 10-17 of the School Code. [105 ILCS 5/3-7]

e) Better Schools Accountability - School Districts not subject to Article 34: Each school district shall prepare and disseminate a report card(s) in accordance with the provisions of Section 10-17a of the School Code. [105 ILCS 5/10-17a]
**Accounting Rules**

**Part XXX**

**Section PPP.100 Annual Audit Requirements.**

a) School Districts not subject to Article 34 and Joint Agreements shall cause an audit of its accounts to be made pursuant to Section 3-7 of the School Code, while school districts subject to Article 34 shall cause an annual audit of its accounts to be made pursuant to the provisions of Section 34-43.1 of the School Code.

b) Charter Schools established pursuant to Article 27A of the School Code shall have an annual audit conducted pursuant to the provisions of Section 27A-5(f) of the School Code.

c) Educational Service Centers (Intermediate Service Centers) and Regional Offices of Education shall be subject to audit in accordance with Section 2-3.17a of the School Code.

d) The scope of the audit shall encompass at least the following:
   1) X
   2) X
   3) X
   4) X
   5) X
   6) X

e) Adequacy of Audits shall be determined based upon the following:

   1) The audit report shall be prepared by a person lawfully qualified to practice public accounting pursuant to the Illinois Public Accounting Act [225 ILCS 450/0.01 et. seq.], whose signed opinion and notes shall form an integral part of such report. If other than an unqualified opinion is rendered, reasons for the qualifications or disclaimer are to be attached and explained in detail.

   2) The auditor must state that the audit was performed in accordance with the 1988 edition of generally accepted governmental auditing standards. No later amendments to these standards are incorporated by this rule.

f) Any LEA which receives federal assistance may be subject to additional audit requirements imposed by the Single Audit Act [P.L. NN-NNNN]
TO: Illinois State Board of Education
FROM: Dr. Randy J. Dunn, State Superintendent of Education
       Linda Mitchell-Riley, CFO

Agenda Topic: Update on Request for Plans from School Districts Certified as in Financial Difficulty

Materials: None
Staff Contact(s): Debby Vespa

Purpose of Agenda Item
Update the Finance and Audit Committee of the status of the Financial Plans required from School Districts certified as in financial difficulty.

Relationship to/Implications for the State Board’s Strategic Plan

Expected Outcome(s) of Agenda Item
Proceed forward with assisting school districts with the development of their financial plan.

Background Information
At the October 2005 ISBE Board meeting two school districts, Harrisburg Comm. Unit School District and Divernon Comm. Unit School District were certified as being in financial difficulty. ISBE staff has already submitted to each district the template of the financial plan and the guidelines for how the plans are to be developed. The plans are due to ISBE within 45 days or by December 5, 2005. Staff has met with each superintendent to discuss the guidelines and assist with the development of the plan. Additional meetings have been scheduled with each district.

Analysis and Implications for Policy, Budget, Legislative Action and Communications

Policy Implications: None

Budget Implications: Travel to school district which is already included within the budget.

Legislative Action: None

Communication: None
**Pros and Cons of Various Actions**

This is an update only

**Superintendent’s Recommendation**

This is an update only. No recommendation needed at this time.

I recommend that the following motion be adopted:

No motion required at this time

**Next Steps**

School Business and Support Services staff will continue meeting with the district superintendents to assist them in development of their plan. Once the plan is received, the plan will be further reviewed and a recommendation made to the ISBE Board of whether the plan should be accepted or denied.
TO: Finance & Audit Committee
   Illinois State Board of Education

FROM: Dr. Randy J. Dunn, State Superintendent of Education
      Linda Riley Mitchell, Chief Financial Officer

Agenda Topic: FY 2007 Budget Update

Materials: FY 2007 Budget Calendar

Staff Contact(s): Ronny Wickenhauser, Division Administrator, Budget and Financial Management

Purpose of Agenda Item
The Finance and Audit Committee requested an outline of the steps in the FY07 budget process be prepared in September. This is an update of that outline.

Expected Outcome(s) of Agenda Item
The Finance and Audit Committee may use the calendar/timeline as a guide to when Board action may be needed and determining the work to be done by ISBE staff.

Background Information
The State Board of Education is responsible for approving the State budget for elementary and secondary education prior to submitting it to the General Assembly. This agenda item will assist the Board in setting a timeline for action as they work through the FY07 budget process.

Analysis and Implications for Policy, Budget, Legislative Action and Communications
This item is intended to be for informational purposes only.

Policy Implications: N/A

Budget Implications: N/A

Legislative Action: N/A

Communication: N/A
Pros and Cons of Various Actions
N/A

Superintendent’s Recommendation
This item is for informational purposes only. No action is required.

Next Steps
Further updates on this agenda item may be provided to the Board as circumstances warrant.
## Illinois State Board of Education

**Budget/Legislative Process - FY2007 (November 2005 Revision)**

<table>
<thead>
<tr>
<th>Month</th>
<th>Item</th>
<th>ISBE Staff</th>
<th>Board</th>
<th>External</th>
<th>Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sep</td>
<td>Begin update of demographics, performance measures and other statistics</td>
<td>●</td>
<td></td>
<td></td>
<td>Ongoing</td>
</tr>
<tr>
<td>Sep</td>
<td>Finalize FY06 General State Aid</td>
<td>●</td>
<td></td>
<td></td>
<td>Not Complete</td>
</tr>
<tr>
<td>Sep</td>
<td>Meet with Division Administrators on FY07 budget needs</td>
<td>●</td>
<td></td>
<td></td>
<td>Complete</td>
</tr>
<tr>
<td>Sep</td>
<td>Begin filling out Legislative Research Unit forms for federal funds received by ISBE</td>
<td>●</td>
<td></td>
<td></td>
<td>Complete</td>
</tr>
<tr>
<td>Sep</td>
<td>Discuss budget development process with Board Finance and Audit Committee</td>
<td>●</td>
<td>●</td>
<td></td>
<td>Complete</td>
</tr>
<tr>
<td>Sep</td>
<td>Federal allocations to Illinois for FY06 finalized</td>
<td>●</td>
<td>●</td>
<td></td>
<td>Complete</td>
</tr>
<tr>
<td>Sep</td>
<td>Review final FY05 expenditures</td>
<td>●</td>
<td></td>
<td></td>
<td>Complete</td>
</tr>
<tr>
<td>Oct</td>
<td>Preliminary final data for FY06 Mandated Categoricals (reimbursement programs)</td>
<td>●</td>
<td></td>
<td></td>
<td>Ongoing</td>
</tr>
<tr>
<td>Oct</td>
<td>Legislative proposals submitted to Legislative Affairs</td>
<td>●</td>
<td></td>
<td></td>
<td>Complete</td>
</tr>
<tr>
<td>Oct</td>
<td>Bill review team reviews legislative proposals</td>
<td>●</td>
<td></td>
<td></td>
<td>Ongoing</td>
</tr>
<tr>
<td>Oct</td>
<td>Finalize Legislative Research Unit forms for federal funds received by ISBE</td>
<td>●</td>
<td></td>
<td></td>
<td>Complete</td>
</tr>
<tr>
<td>Oct</td>
<td>Discuss FY07 spending priorities</td>
<td>●</td>
<td>●</td>
<td></td>
<td>Complete</td>
</tr>
<tr>
<td>Oct</td>
<td>Discuss initial thoughts/projections on operational needs with board</td>
<td>●</td>
<td>●</td>
<td></td>
<td>Complete</td>
</tr>
<tr>
<td>Oct</td>
<td>Discuss the impact of federal budget cuts with board</td>
<td>●</td>
<td>●</td>
<td></td>
<td>Complete</td>
</tr>
<tr>
<td>Oct</td>
<td>Discuss the impact of continuing and new FY06 initiatives with board</td>
<td>●</td>
<td>●</td>
<td></td>
<td>Complete</td>
</tr>
<tr>
<td>Oct</td>
<td>Discuss integration of strategic plan into FY07 budget</td>
<td>●</td>
<td>●</td>
<td></td>
<td>Complete</td>
</tr>
<tr>
<td>Oct</td>
<td>Public hearing on budget priorities (Danville)</td>
<td>●</td>
<td></td>
<td></td>
<td>Complete</td>
</tr>
<tr>
<td>Nov</td>
<td>Finalize budget detail pages (except FY07 budget numbers)</td>
<td>●</td>
<td></td>
<td></td>
<td>Ongoing</td>
</tr>
<tr>
<td>Nov</td>
<td>Finalize update of demographics, performance measures and other statistics</td>
<td>●</td>
<td></td>
<td></td>
<td>Ongoing</td>
</tr>
<tr>
<td>Nov</td>
<td>Complete estimated cash flows for other state funds</td>
<td>●</td>
<td></td>
<td></td>
<td>Ongoing</td>
</tr>
<tr>
<td>Nov</td>
<td>Begin allocations of personnel and other operational costs by division</td>
<td>●</td>
<td></td>
<td></td>
<td>Ongoing</td>
</tr>
<tr>
<td>Nov</td>
<td>Submit Legislative Research Unit forms for federal funds received by ISBE</td>
<td>●</td>
<td>●</td>
<td></td>
<td>Complete</td>
</tr>
<tr>
<td>Month</td>
<td>Item</td>
<td>ISBE Staff</td>
<td>Board</td>
<td>External</td>
<td>Status</td>
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<tr>
<td>-------</td>
<td>----------------------------------------------------------------------</td>
<td>------------</td>
<td>-------</td>
<td>----------</td>
<td>--------</td>
</tr>
<tr>
<td>Nov</td>
<td>Legislative proposals submitted for review/approval</td>
<td>●</td>
<td>●</td>
<td></td>
<td>Complete</td>
</tr>
<tr>
<td>Nov</td>
<td>Public hearings on budget priorities (Mt. Vernon - Nov 2)</td>
<td>●</td>
<td></td>
<td></td>
<td>Complete</td>
</tr>
<tr>
<td>Nov</td>
<td>Public hearings on budget priorities (Gurnee - Nov 15)</td>
<td>●</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Nov</td>
<td>Public hearings on budget priorities (Quincy - Nov 29)</td>
<td>●</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Dec</td>
<td>Finalize data for FY06 Mandated Categoricals (reimbursement programs)</td>
<td>●</td>
<td>●</td>
<td>●</td>
<td></td>
</tr>
<tr>
<td>Dec</td>
<td>Begin estimates for FY07 Mandated Categoricals</td>
<td>●</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Dec</td>
<td>Provide estimates for FY07 General State Aid (based on estimated EAVs and ADAs)</td>
<td>●</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Dec</td>
<td>Discussion on statewide revenue trends with Economic and Fiscal Commision and GOMB with Board Finance and Audit Committee</td>
<td>●</td>
<td>●</td>
<td>●</td>
<td></td>
</tr>
<tr>
<td>Dec</td>
<td>Begin filling out Illinois State Legislature (ISL) budget forms</td>
<td>●</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Dec</td>
<td>Final language prepared for legislative proposals</td>
<td>●</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Dec</td>
<td>Annual Report written/reviewed</td>
<td>●</td>
<td>●</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Dec</td>
<td>Discussion on statewide revenue trends</td>
<td>●</td>
<td>●</td>
<td>●</td>
<td></td>
</tr>
<tr>
<td>Dec</td>
<td>Finalize FY07 spending priorities</td>
<td>●</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Dec</td>
<td>Estimate federal grant awards/appropriations for FY07</td>
<td>●</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Dec</td>
<td>Budget discussions with Governor's Office/GOMB</td>
<td>●</td>
<td></td>
<td>●</td>
<td></td>
</tr>
<tr>
<td>Dec</td>
<td>Public hearings on budget priorities (Lombard - Dec 6)</td>
<td>●</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Dec</td>
<td>Public hearings on budget priorities (Springfield - Dec 7)</td>
<td>●</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Dec</td>
<td>Public hearings on budget priorities (Chicago - Dec 14)</td>
<td>●</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Jan</td>
<td>Fix FY07 Textbook Reappropriation language in veto session</td>
<td>●</td>
<td></td>
<td>●</td>
<td></td>
</tr>
<tr>
<td>Jan</td>
<td>Continue filling out ISL forms</td>
<td>●</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Jan</td>
<td>Begin filling out GOMB budget forms</td>
<td>●</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Jan</td>
<td>Submit Annual Report to the General Assembly</td>
<td>●</td>
<td></td>
<td>●</td>
<td></td>
</tr>
</tbody>
</table>
# Illinois State Board of Education
## Budget/Legislative Process - FY2007 (November 2005 Revision)

<table>
<thead>
<tr>
<th>Month</th>
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<th>ISBE Staff</th>
<th>Board</th>
<th>External</th>
<th>Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jan</td>
<td>Legislative proposals introduced in the General Assembly</td>
<td>●</td>
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<td>Jan</td>
<td>Complete DRAFT FY07 budget and review</td>
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<td>Jan</td>
<td>Board Finance and Audit Committee recommends FY07 budget to Board and Board adopts FY07 budget</td>
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<td>Jan</td>
<td>Budget discussions with Governor's Office/GOMB</td>
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<td>Jan</td>
<td>Appropriation hearings??</td>
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<td>Jan</td>
<td>Hearings on legislative proposals??</td>
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<tr>
<td>Feb</td>
<td>President introduces FFY07 budget</td>
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<td>Feb</td>
<td>Provide GSA dollar estimates to Governor's Office/GOMB based on foundation level and other scenarios in the Governor's introduced budget (will still be based on estimated EAV and ADA data unless preliminary data is available for Revenue)</td>
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<td>Feb</td>
<td>Provide final Mandated Categorical estimates to Governor's Office/GOMB for Governor's introduced budget</td>
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<td>Feb</td>
<td>Governor's Office/GOMB finalized ISBE FY07 budget for Governor's introduced budget</td>
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<td>Feb</td>
<td>Finalize and submit ISL forms based on Governor's introduced budget</td>
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<td>Feb</td>
<td>Finalize and submit GOMB budget forms based on Governor's introduced budget</td>
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<td>Feb</td>
<td>Print FINAL FY07 ISBE budget book based on Governor's introduced budget and review</td>
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<td>Feb</td>
<td>Public hearings on FINAL ISBE budget??</td>
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<td>Feb</td>
<td>Draft and submit ISBE appropriation bill</td>
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<td>Feb</td>
<td>Governor's budget message (February 15)</td>
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<td>Feb</td>
<td>Appropriation hearings</td>
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<td>Hearings on legislative proposals</td>
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<td>Mar</td>
<td>Provide GSA estimates based on preliminary EAVs and ADAs</td>
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<td>Mar</td>
<td>Budget Implementation (BIMP) discussions</td>
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<td>Appropriation hearings</td>
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<td>ISBE Staff</td>
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<td>Mar</td>
<td>Hearings on legislative proposals</td>
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<td>Apr</td>
<td>Budget Implementation (BIMP) discussions</td>
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<td>Appropriation hearings</td>
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<td>Apr</td>
<td>Hearings on legislative proposals</td>
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<td>May</td>
<td>Budget Implementation (BIMP) discussions</td>
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<td>May</td>
<td>Appropriation hearings</td>
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<td>May</td>
<td>Hearings on legislative proposals</td>
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<tr>
<td>May</td>
<td>Provide GSA dollar estimates based on settled foundation level and other scenarios in the final budget (will be based on preliminary EAV and ADA data)</td>
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<td>May</td>
<td>Final Mandated Categorical numbers based on settled budget</td>
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<td>May</td>
<td>Final FY07 budget passed</td>
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<td>Jun</td>
<td>Final FY07 budget summary</td>
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TO: Finance & Audit Committee, Illinois State Board of Education

FROM: Dr. Randy J. Dunn, State Superintendent of Education
Linda Riley Mitchell, Chief Financial Officer

Agenda Topic: Illinois School Purchasing Network Update

Materials: None

Staff Contact(s): Karen Helland, Shared Services Policy & Planning Liaison

Purpose of Agenda Item
Provide members of the Finance and Audit Committee with an update on activities and solicit committee member input.

Relationship to/Implications for the State Board’s Strategic Plan

Goal 3: Expanding Data-Informed School Management & Support Practices

Strategic Objective: Establish a variety of shared services and cost-savings initiatives.

Initiative: Expand the Illinois School Purchasing Network to include a wider variety of shared services, including cooperative purchasing contracts from Regional Offices of Education / Intermediate Service Centers.

Expected Outcome(s) of Agenda Item
This agenda item is intended to help prioritize next steps re: expansion of Illinois School Purchasing Network and discussion of key categories of supplies and services.

Background Information

US Communities Statistics (as of Nov 1):
- 420 Illinois public school districts are registered
- Q3 sales information available in late November

Summary of Activities (August thru November)
- Presentations to School Administrators: Superintendent’s Annual Conference, Illinois Assoc. of Public Procurement Officials Annual Conference, Shawnee Regional IASA Meeting Learning Technologies Centers (LTC) State Meeting; Joint Regional Superintendents Meeting (Areas 5 & 6); St. Clair County Administrators Meeting; LaSalle County Superintendents Meeting; Regional Superintendents Meeting (Area 9)
- Responded to calls and e-mails from school districts, ROEs, and school board members with questions about ISPN and U.S. Communities.
  - Common questions were “How do I register on-line?” “What products are offered?” “What are the benefits?” “How can I compare prices?”
  - Received frequent requests for information about office and school supplies; school furniture; and playground equipment
  - Most frequently requested specialty products are automated external defibrillators (AEDs) and PDAs (personal digital assistants; a.k.a. Palm Pilots)

- Received numerous requests to participate in ISPN from outside suppliers. The offerings of services and supplies include: fingerprinting services; information technology equipment and solutions; special education equipment; business consultants and services; ethnic foods; e-resources; instructional software; instructional materials for reading, writing, non-English speakers, and students who perform poorly on standardized tests; self-directed technology-based instruction; and musical instruments.

- Updated ISPN website with additional information.

**List of Potential Key Categories for ISPN Expansion:**
- Payroll Services
- Financial Reporting Services
- Financial Planning (Investment) Services
- Transportation Maintenance and Repair Services
- Bus Services
- Transportation Equipment & Supplies (fuel, vehicles, tires)
- Insurance Consulting Services
- E-resources (on-line databases)
- Grant Writing Services

**Other Categories Considered:**
- Instructional Materials
- Food Products and Food Service Equipment

**Analysis and Implications for Policy, Budget, Legislative Action and Communications**
Policy Implications: None
Budget Implications: None
Legislative Action: None
Communication: None

**Pros and Cons of Various Actions**
This agenda item is for informational purposes.

**Superintendent’s Recommendation**
A recommendation for action is not needed at this time.

**Next Steps**
Continue to work on expanding the Illinois School Purchasing Network with committee guidance.