

**ILLINOIS STATE BOARD OF EDUCATION  
MINUTES OF THE STATE BOARD OF EDUCATION  
SPECIAL MEETING CONFERENCE CALL**

100 North First Street  
Springfield, IL 62777

December 9, 2002

**MEMBERS PRESENT:**

Marjorie B. Branch

Connie Rogers

Janet Steiner

Ronald Gidwitz

Richard Sandsmark

Beverly Turkal

Marilyn McConachie

Robert E. Schiller, State Superintendent of Education

**MEMBERS ABSENT:**

Judith Gold

Vincent J. Serritella

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Roll Call

The meeting was called to order at 4:30 p.m. by the Chairman, Mr. Ronald Gidwitz, who asked Kay Evans, assistant to the Executive for State Board Services, to call the roll. Ms. Evans called the roll of members. A quorum was present.

Chairman Gidwitz indicated that Ms. Gold and Mr. Serritella were unable to join this special meeting.

Chairman Gidwitz asked that the agenda be read for the record. Superintendent Schiller read the agenda stating the Board was called to order for a Special meeting to establish a Hazel Crest School District #152.5 School Finance Authority pursuant to Section 1F-15 of the School Code.

Vice Chair, Mrs. Marilyn McConachie stated that the Board had a Resolution that should be read into the record. Board member Marjorie Branch was asked to read the Resolution. (See addendum #1)

The Chairman asked if there was a second. Dick Sandsmark seconded.

The Chairman asked the Superintendent to explain the urgency of why the State Board of Education believed it was appropriate to have a school finance authority established at this time.

Superintendent Schiller stated the school district was facing insolvency and without this intercession would not be able to receive member initiative money from the Department of Commerce and Community Affairs needed to meet outstanding obligations, and to meet the current payroll for the next several months. He stated that the Resolution would provide ISBE the opportunity to put into motion a School Finance Authority that would have broad-ranging authority to:

- levy the property taxes that the district is permitted to levy,
- receive the State loan that was secured from legislation in the event that private financing was unable to be secured by the School Finance Authority,
- levy the authority to repay that loan,
- examine the current status of the school district and determine if there was a way in which the current school district could be reorganized, consolidated, or annexed, or efficiencies made in order for it to be sustained,
- dissolve the school district and make the recommendation to the ISBE.

Should any recommendation to consolidate, annex or dissolve be made, then the local Board of Education of those district or districts involved would have to approve it. He stated that the Board and Agency needed to move aggressively within the five-day calendar schedule that was established by the legislation. He noted that the Governor signed the bill into effect on Friday, December 6, 2002.

Chairman Gidwitz asked what the predicted deficit this school district would be running. Superintendent Schiller said approximately \$6 million.

Chairman Gidwitz also asked what the financial plans were for keeping the school open for the balance of the school year. Superintendent Schiller replied that the School Finance Authority could access the \$1.5 million from member initiatives, go forward to lending institutions to determine their willingness to lend approximately \$4.5 million for coverage of ongoing expenses and bills, and access the loan from the State.

Chairman Gidwitz asked if it was the intent of the Board to ask the School Finance Authority to pursue a tax anticipation warrant as had been done in the past. Superintendent Schiller answered that it was and that it would be part of the \$4.5 million. Chairman Gidwitz asked if it would be necessary to have the School Finance Authority incur all \$4.5 million of the obligation. Superintendent Schiller said yes.

Chairman Gidwitz asked what precipitated the immediate crisis recognizing that the situation had been going on for quite some time. He asked how did this become so urgent in October or November, when at the end of the last school year the situation was not so dire. Superintendent Schiller stated that the Board and Agency was notified in October, 2002, that the local district had exhausted all potential borrowing and had extended themselves with regard to entering into additional contracts and expenditures that had not been budgeted into the annual operating budget of about \$8.5 million. He said that they had used all cash reserves, had not been able to pay bills since May, and had overextended their expenditures so they did not match the revenues. He noted that the school district was unable to raise money even though they had a successful tax referendum in November, but had not agreed as a Board to levy such a tax.

Chairman Gidwitz asked if the school district had made some extraordinary expenditures earlier this fiscal year which may have tipped them over the edge. Superintendent Schiller said they went into signed contracts with providers in excess of \$2 million.

Board member Connie Rogers asked if those contracts could be broken. Superintendent Schiller said that the School Finance Authority would be able, with the exception of collective bargaining agreements, to cancel the contract of the district superintendent for cause, and to cancel other non-collective bargaining contracts for insufficient funds.

Mrs. Rogers asked if the district had a long history of spending more than it has received. Superintendent Schiller said she was correct. He said this district was far below the average valuations and revenue per pupil in terms of properties in South Cook County,

but they were within a few dollars of per-pupil spending of surrounding districts.

Board member Janet Steiner asked who would decide if the district needed to be dissolved at the end of the year. Superintendent Schiller answered that the School Finance Authority would have the authority to make that determination in order to recommend it to the State Board.

Mrs. Rogers asked if they dissolved the district, who would take on the debt at that time? Superintendent Schiller said that the ability of the School Finance Authority to levy taxes to pay off the long-term debt to repay the loan would stay with that community.

Board member Beverly Turkal asked if the amount levied this year would be used to pay off the long-term debt. Superintendent Schiller said yes. He said that it was projected in the legislation that the debt would be paid off in a minimum of ten years. Mrs. Turkal stated that the new district will also have the ability to levy even more. All board members agreed. Chairman Gidwitz said that the School Finance Authority, the Board and the Agency needed to find a way to make this painless because they did not want the residents moving out. He explained that it was not in the best interest of anyone to make it fiscally impossible for people to live in the district.

Mrs. Turkal also asked what the EAV of the district was at the present time. Chairman Schiller explained it was \$90 million, and that they have borrowed the total amount that they can borrow except for the referendum which they need to levy. Mrs. Turkal asked if they go ahead with the levy using the referendum that was passed, will they borrow that money through tax anticipation warrants, not long term?

Gary Ey, Director of School Funding and Finance, stated there were two ways to accomplish this. He explained that for short-term purposes they can go for additional tax anticipation warrants above and beyond the \$1.5 million, or for additional obligations from long-term debts, they could sell bonds.

Chairman Gidwitz stated it may be possible to restructure part of their existing debt. Superintendent Schiller and Gary Ey said that it was a possibility. He also stated there was sensitivity to the State Representatives from that area, and noted that everyone felt obligated to preserve the community. Board members agreed.

Chairman Gidwitz asked Ms. Evans to call the roll.

Chairman Gidwitz – yes	Marilyn McConachie – yes
Connie Rogers – yes	Dick Sandsmark – yes
Janet Steiner – yes	Beverly Turkal – yes
Marjorie Branch – yes	

The Resolution was approved.

Chairman Gidwitz thanked the hard work of Superintendent Schiller, Gary Ey, Director of School Funding and Finance Peter Leonis, Division Administrator of Governmental Affairs, and others who worked very diligently, and especially the Oversight Panel. He stated that the State has tried to structure a solution where instead of the State stepping in and picking up the burden, there would be a way for the local community to carry their responsibility and hopefully find a solution where they could maintain, and maybe improve, the quality of education for their children, while at the same time find a way to restructure fiscal obligation.

Marilyn McConachie asked what had been done to alleviate some of the anxiety of the students and parents of the school district. Superintendent Schiller said that he initiated a letter to be sent to the citizens pledging the Board's support and to ensure the school year would go forward. He stated ISBE was trying to outreach with surrounding superintendents so rumors would not be rampant.

The meeting was adjourned at 4:54.

Respectfully submitted,

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Connie Rogers, Secretary

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Ronald J. Gidwitz, Chairman

