



# Illinois State Board of Education

Jesse Ruiz, Board Chair  
Dr. Christopher Koch, State Superintendent

## ILLINOIS STATE BOARD OF EDUCATION \*

### Special State Board Meeting via teleconference

4<sup>th</sup> Floor  
100 North First Street  
Springfield, Illinois

14<sup>th</sup> Floor  
James R. Thompson Center  
100 West Randolph  
Chicago, Illinois

### SCHEDULE AND AGENDA OF MEETINGS February 6, 2003

#### THURSDAY, February 6, 2003

Call Meeting to Order/Roll Call

#### Discussion Items

- 10:00  
a.m.
- A proposed voluntary financial oversight panel for Cairo School District #1. The Board of Education of Cairo School District #1, at a special meeting held on January 23, 2003, voted unanimously to petition, on a voluntary basis, the Illinois State Board of Education for a Financial Oversight Panel and emergency financial assistance.
    - [Executive Summary](#)
    - [Petition from Cairo Unit School District 1](#)
    - [Information on the District's Financial Condition](#)
  - Legislative recommendations from the Board Governmental Relations Committee.

#### ADJOURN

\*All meetings are accessible to persons with disabilities.

\*\*Action Items

\*\*Meeting will begin at the conclusion of the previous session.

#### Illinois State Board of Education

100 North First Street  
Springfield, IL 62777

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

Illinois State Board of Education  
Superintendent's Conference Room-4<sup>th</sup> floor  
100 North First Street  
Springfield, IL 62777

February 6, 2003

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**MEMBERS PRESENT BY TELECONFERENCE:**

|                |                |                   |
|----------------|----------------|-------------------|
| Ronald Gidwitz | Greg Kazarian  |                   |
| Judy Gold      | Joyce Karon    | Richard Sandsmark |
| Janet Steiner  | Beverly Turkal | Dean Clark        |

Robert E. Schiller, State Superintendent of Education

**MEMBERS ABSENT:**

Marjorie Branch

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Roll Call      The meeting was called to order at 10:04 a.m. by the Chairman Ronald Gidwitz, who asked that Kay Evans, assistant to the Board Services Executive, call the roll. A quorum was present.

Chairman Gidwitz indicated that this special Board meeting was called to discuss two items including the voluntary proposal for the voluntary Financial Oversight Panel for Cairo School District #1 and the proceedings of the Board's Governmental Relations Committee.

The Chairman asked that those present on the phone to identify themselves. The following individuals were present:

David Wood, Chief Operating Officer; Gary Ey, Manager, School Funding and Finance; Deb Vespa, Division Administrator, School Finance; Lynne Haeffele-Curry, Director, Planning and Performance; Donald Full, Division Administrator, Accountability; Chris Koch, Director, Teaching and Learning; Peter Leonis, Division Administrator, Governmental Affairs; Patrick Mogge, Board Services Executive; and other associated staff as needed.

Dr. Robert Isom, Superintendent, Cairo School District #1, said that he had present the school board president; director of finance

and payroll; secretary to the board; director of federal and state programs; Regional Superintendent Andrea Brown; and Assistant Superintendent Bob MacIntosh.

Cairo  
School  
District #1  
Financial  
Oversight  
Panel

The Chairman called for Agenda Item, Financial Oversight Panel for Cairo School District #1

The Chairman asked the Superintendent Schiller, Gary Ey, and Don Full to provide an overview of the financial and educational situations in the Cairo School District. He asked Superintendent Isom to provide a prospective of the situation of the school district today that would warrant their request for the voluntary oversight panel.

Dr. Schiller stated that on January 23, 2003, Cairo School District petitioned the Illinois State Board of Education (ISBE) for an oversight panel. He noted that a year ago Cairo had a 17-day teacher strike which resulted in a \$377,000 GSA impact on their entitlement that year. He said that they never made up the 17 days.

Mr. Ey continued explaining that Cairo District has a low tax base, but it has continued to pay outstanding bills. He said that Egyptian District #5 and Meridian District #101, which are close to Cairo District, are in the same predicament of depending on state and federal dollars to exist.

Mr. Ey enumerated some of the critical issues: the strike; significant health, life, and safety compliance issues; cash flow problems (ISBE projects Cairo District will run out of local funds by April 2003); the need to rely on inter-fund borrowing; the slowdown of state fund distributions (not federal funds); the possibility that the problem will be compounded if the state defers state aid at the end of the year; and the fact that long-term debt is not an option, since only about 6.5% of Cairo District's debt authority remains.

Mr. Ey stated some of their options including additional borrowing through second-year tax anticipation warrants, general state-aid anticipation certificates, grants, or dissolution of the district.

Superintendent Schiller said that, if approved, he would expect to announce the Financial Oversight Panel next week.

Chairman Gidwitz opened the floor for Board member questions,

which were answered in part by Dr. Isom and Regional Superintendent Andrea Brown.

Superintendent Schiller asked if the Board wanted an overview of the district's status of educational programs and accountability compliance based on the ISBE team visit and offered alternately to send it to them in written form. Mr. Gidwitz asked that they give the Board an overview and send a detailed report.

Don Full was part of the team from the ISBE System of Support Division that made a visit to Cairo to do a district and school analysis to identify technical assistance that would be provided to the district in accordance with the requirements of NCLB. He stated that the district has shown improvement of its overall ISAT scores, but that because of the strike last year Cairo high school students did not take the PSAE. Therefore, no data for the high school was generated last year.

Superintendent Schiller said that if the PSAE had been administered last year Cairo would now be on the Academic Watch List rather than the Academic Early Warning List.

Chairman Gidwitz asked how it was possible for a school district to not take the PSAE, which is mandated by law, and the Board not be informed. Superintendent Schiller said that he has been looking into the situation and had found that apparently when the PSAE was administered last April there was no intervention nor was a report made to the Board. The Chairman indicated concern as to whether or not the Board was being informed of all the state-mandated compliance issues that exist. He would like a catalog of these at the next meeting. Mr. Gidwitz said that the Board is ultimately responsible for compliance and if Board members are not being informed of noncompliance with required programs then there is a problem. He said that he would hope staff would tell them there is a problem, even if they do not act – giving the Board the option of making a decision.

Greg Kazarian said that he was troubled by putting the panel in place and then having to wait a year or so before anything could be resolved. Mr. Gidwitz said that as a result of the financial problems of Hazel Crest and Livingston school districts, ISBE will be talking about a more comprehensive solution. He said that, as he and Superintendent Schiller testified on behalf of Hazel Crest, there are a significant number of districts in fiscal distress. He believes that this will be addressed in both a broader and very specific context later this winter and spring. He said that he and

Superintendent Schiller promised the General Assembly that they would come back this spring with recommendations for a more comprehensive plan for addressing these issues.

Dr. Steiner asked if this was the last school district ISBE could help because the strain on the agency's resources. Mr. Gidwitz said that ISBE may have to go back to the General Assembly and ask for additional funds. Superintendent Schiller commented that ISBE staff is looking at appropriated money from Hazel Crest to see if those funds can be used to assist this or other districts.

Superintendent Schiller said that the Financial Oversight Panel for Cairo would be the one to request the grant. The Board is being asked to establish the emergency financial assistance of the panel with the next step being the appointment of panel members within 10 days. The panel members will investigate, and if they deem the grant is needed, will determine if any economies can be made. He said the likelihood is that ISBE would be petitioned for a loan to complete the school year. The panel would work with the school's administration to find ways to balance the budget next year or would report that the variables indicate that the district is still in dire condition and would not have a budget for the upcoming fiscal year. The panel would then make recommendations for the Board to consider.

Superintendent Schiller said that the motion is a combination of two steps: certifying the district under 1A-8 and appointing a financial Oversight Panel.

Mr. Gidwitz asked Mr. Sandsmark to make the motion.

Motion

Mr. Sandsmark made the following motion:

"Whereas, pursuant to Section 1B-4 of the School Code (105 ILCS 5/1B-4), Cairo Unit School District 1, has petitioned the State Board of Education for emergency financial assistance and the establishment of a Financial Oversight Panel by affirmative vote of a majority of the board of Cairo Unit School District 1 on January 23, 2003; and,

Whereas, Cairo Unit School District 1 has presented clear and convincing documentation of its past, present and future financial condition that warrants the immediate Certification by the State Board of Education as being in financial difficulty pursuant to Section 1A-8 of the School Code by Board; and,

Whereas, the State Board has reviewed the current financial condition of the School District and the Petition for Emergency Financial Assistance and the Establishment of a Financial Oversight Panel (Petition); and

Whereas, the State Superintendent has recommended that the clear and convincing financial documentation of the Cairo Unit School District 1 warrants the immediate Certification by the State Board as a School District in financial need and that the Petition be granted; and

Whereas, pursuant to Section 1B-4 of the School Code (105 ILCS 5/1B-4), the State Board finds as follows:

1. That allowing the Petition is in the immediate and best educational interests of the pupils of the School District.
2. That allowing the Petition is in the near term best financial interests of the School District.
3. That the School District has sufficient pupil enrollment to provide and maintain recognized schools.
4. That allowing the Petition is in the best interests of the other schools of the area and the educational welfare of all the pupils therein.
5. That Cairo Unit School District 1 intends to comply with the requirements of Section 1A-8 of the School Code regarding districts certified to be in financial difficulty.

Therefore, the State Board of Education Certifies that Cairo Unit School District 1 is in financial difficulty and thereby grants the Petition for Emergency Financial Assistance and the Establishment of a Financial Oversight Panel for Cairo Unit School District 1.”

Greg Kazarian seconded the motion.

Mr. Gidwitz asked for discussion and directed Ms. Evans to call the roll. The motion passed with the following votes recorded:

Roll

Marjorie Branch – absent    Dean Clark – yes    Ron Gidwitz –yes  
Judith Gold – yes            Joyce Karon – yes    Janet Steiner –yes  
Dick Sandsmark – yes    Greg Kazarian – yes    Bev    Turkal –yes

Governmental Relations Committee Recommendations

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The Chairman called for Agenda Item: Governmental Relations Committee Recommendations.

Chairman Gidwitz stated that the Board Governmental Relations Committee discussed House Bill 208 and SB23, which contain the Education Financial Advisory Board (EFAB) recommendations. He asked Superintendent Schiller to provide background information.

Superintendent Schiller said the committee focused on the two bills, which are an attempt to roll into legislation the EFAB recommendations. He said that the committee has analyzed these bills and their implications. He said that the first area addresses reducing accounting funds from the current nine to four and developing a fund structure that will allow greater flexibility to school districts with available funds. These four funds, along with corresponding levies are as follows:

- General Fund – contains the proceeds of the General Levy and is the main operating fund for all educational, operations, and transportation purposes.
- Debt Service Fund – contains the proceeds of the Bond and Interest Levy and is the sole source for paying principal and interest on district debt.
- Capital Projects Fund – contains the proceeds of the First Prevention and Safety, Rent, and Leasing levies and is used to fund any building or other capital project. Bond proceeds would also be deposited in this fund.
- Restricted Uses Fund – contains the proceeds of the Classified Benefits, Tort and Working Cash levies. This fund may be broken into three sub-funds.

Superintendent Schiller said that going ahead with the EFAB recommendations would give school districts opportunities, which they do not have now, to draw upon funds that they have raised to ward off deficits they are facing in their operating education fund.

He said that EFAB is recommending that the 20 levies be consolidated to eight. In some cases these levies would be parallel with the funds. The eight levies would be as follows:

- General Levy
- Classified Benefits Levy

- Continued levies for leasing, tort immunity, fire prevention and safety, bond and interest, working cash, and rent.
- Eliminate levies for rent (Article 35), health insurance, primary health care, area vocational education building, capital improvement, and temporary relocation expense.

A discussion followed regarding districts on accrual basis vs. cash basis. Chairman Gidwitz believes an analysis needs to be done for consistency in the districts.

Superintendent Schiller said a third important part of the report is the Poverty Grant Funding. He said ISBE is still using 1990 census numbers, which causes difficulty because of the changing profile of school districts. EFAB recommends that the poverty count be switched from the poverty census count to the count of children from low-income households receiving assistance as measured and determined by the Department of Human Services.

He said EFAB also recommends that the poverty formula be changed so as to provide a constant amount per pupil for districts with a poverty concentration of less than 15% and a curvilinear formula for those districts with a concentration greater than 15%. The change in the poverty formula will ensure a minimum grant per student of \$355 and a maximum of \$2,994.25.

He further stated that EFAB has recommended that the continuing appropriation be reinstated, which makes sense in light of the \$22 million shortfall in the FY03 GSA appropriation.

Following much discussion over the recommendations, Bev Turkal said that all Board members need to be on the same page before giving approval. It was decided that a poll would be taken of the members to see if there was support for the recommendations.

A voice poll was taken by the Chairman, and the following votes were recorded. There was a consensus.

Dean Clark – yes    Ron Gidwitz – yes    Judy Gold – yes  
Joyce Karon – yes    Greg Kazarian – yes    Dick Sandsmark – yes  
Janet Steiner – yes    Bev Turkal - yes

Chairman Gidwitz adjourned the meeting at 11:40 a.m.

An audio tape of the meeting is available through the ISBE office in Springfield (217/782-9560.)



Respectfully submitted,

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Richard Sandsmark  
Secretary *Pro Tem*

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Ronald J. Gidwitz  
Chairman