

Fund Transfer Authority Extension Bill Approved

One of the most useful tools for school district fund management has been the power of school boards to transfer money between the major operating funds under Section 17-2A of the School Code. While that section still contains the significant limitation that any such transfer be for “one-time, non-recurring expenses”, for several years the General Assembly has seen fit to include a temporary waiver of this limitation. House Bill 5529, which would extend that waiver for another 3 years, until June 30, 2019, was passed overwhelmingly last week, and will be sent to Governor Rauner for his consideration. Please keep in mind, however, that even if the Governor chooses to sign the bill, there may be at least a temporary lapse in this fund transfer authority if he does not sign the bill before June 30.

With revenue restrictions such as specific tax rate limits, the Property Tax Extension Limitation Law (“PTELL” or the “tax cap”), and delays and reductions in State aid on one hand, and

unbalanced needs and the threat of tax rate objections on the other, it is important for school officials to retain flexibility in their ability to move money among the various limited purpose funds of the school district. Section 17-2A allows school boards, after a published notice and a public hearing, to transfer money from the Educational, Operations and Maintenance, or Transportation Fund to any of the other of those major operating funds which might at that time be more in need of the money. In past years, the General Assembly has gradually removed most of the limitations on this authority, but the one restricting the transfers for the purpose of meeting nonrecurring expenses remained, subject to a waiver with a sunset provision. That sunset has been consistently pushed back over the last 13 years, which is all the General Assembly has done again this year with regard to Section 17-2A.

House Bill 5529 also pushed back the sunset on school boards' authority to make another type of fund transfer. School Code Section 17-2.11 governs the raising of revenues for life safety projects and the use of those revenues. When there are moneys left unspent from revenues generated for specific life safety projects, school districts generally have only two options: (1)

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use those moneys for other life safety projects or (2) transfer the moneys to the Operations and Maintenance Fund and do a commensurate abatement of the tax levy for that fund. But there has been a temporary provision allowing school boards a third option: transfer the leftover life safety revenues to the Operations and Maintenance Fund for other, non-life-safety building repair work without having to do a tax abatement. This kind of transfer requires a published notice and public hearing like a Section 17-2A transfer, but the authority to exercise this third option had been set to expire this June 30. House Bill 5529 extends the life of this authority to June 30, 2019.

If you have questions regarding this Bill, please contact one of our attorneys in Oak Brook (630.928.1200) or Flossmoor (708.799.6766).