

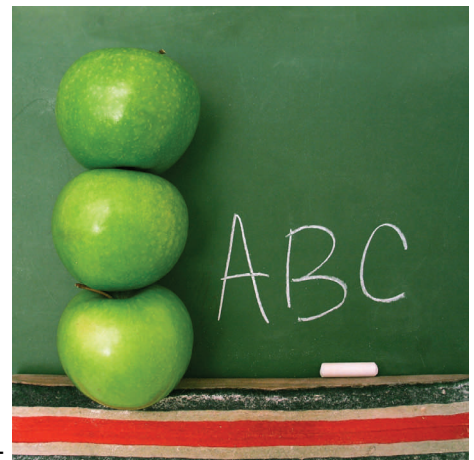
**P.A. 96-1277: Working Cash Legislation**

In the recent past, a number of tax objections have been brought against school districts claiming that abatements of their Working Cash Funds were illegal transfers. Last year, in a recent decision from the Second District Appellate Court, it was held that abatements of the Working Cash Fund must be made to the Education Fund. In response to this court decision and multiple tax rate objections, a group of school law attorneys, including attorneys at KTJ, drafted legislation clarifying what was believed to be existing law in that abatements of the Working Cash Fund were legitimate and could be transferred from the Working Cash Fund to any fund of a school district.

The legislation, as drafted, was signed into law by the Governor on July 26, 2010 as P.A. 96-1277. The legislation amends the School Code to provide that school districts may abate (a permanent transfer of less than the full amount of monies in the Working Cash Fund) their Working Cash Fund by permanently transferring monies from their Working Cash Fund to any other fund or funds of the district. Interest earned on monies invested in the Working Cash Fund may also be permanently transferred to any other fund of the school district which the Board deems to be most in need of the income. The school district may use any monies in the Working Fund for any school purpose in order to avoid the issuance of tax anticipation warrants. If the school district intends to abate the fund, the school district retain a balance in the Working Cash Fund equal to at least five one hundredths of a percent (0.05%) of the equalized assessed value of all property subject to the taxing jurisdiction of the school district. However, if the school district intends to abolish (permanently transfer all funds) the Working Cash Fund, this reserve limitation will not apply. The legislation also clarifies that should a school district abolish or abate its Working Cash Fund that it has the authority to again create a Working Cash Fund at any time.

The legislation is effective immediately. The legislation also retroactively validates abatements of the Working Cash Fund made in accordance with the legislation prior to July 26, 2010.

For more information about matters discussed in this issue, please contact any KTJ School Law Attorneys.

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