

Fiscal Estimate - 2025 Session

☒ Original ☐ Updated ☐ Corrected ☐ Supplemental

LRB Number 25-1850/1	Introduction Number SB-0032
Description requiring a school board to spend at least 70 percent of its operating expenditures on direct classroom expenditures and annual pay increases for school administrators	
Fiscal Effect State: <div style="display: flex; flex-wrap: wrap; padding-left: 20px;"><div style="width: 33%;"><input type="checkbox"/> No State Fiscal Effect</div><div style="width: 33%;"><input checked="" type="checkbox"/> Indeterminate</div><div style="width: 33%;"><input type="checkbox"/> Increase Existing Revenues</div><div style="width: 33%;"><input type="checkbox"/> Increase Existing Appropriations</div><div style="width: 33%;"><input type="checkbox"/> Decrease Existing Revenues</div><div style="width: 33%;"><input type="checkbox"/> Decrease Existing Appropriations</div><div style="width: 33%;"><input type="checkbox"/> Create New Appropriations</div><div style="width: 33%;"><input type="checkbox"/> Increase Costs - May be possible to absorb within agency's budget <div style="display: flex; justify-content: space-around;"><input type="checkbox"/> Yes <input type="checkbox"/> No</div></div><div style="width: 33%;"><input type="checkbox"/> Decrease Costs</div></div>	
Local: <div style="display: flex; flex-wrap: wrap; padding-left: 20px;"><div style="width: 33%;"><input type="checkbox"/> No Local Government Costs</div><div style="width: 33%;"><input checked="" type="checkbox"/> Indeterminate</div><div style="width: 33%;">5.Types of Local Government Units Affected<div style="display: flex; flex-wrap: wrap;"><div style="width: 33%;"><input type="checkbox"/> Towns</div><div style="width: 33%;"><input type="checkbox"/> Village</div><div style="width: 33%;"><input type="checkbox"/> Cities</div><div style="width: 33%;"><input type="checkbox"/> Counties</div><div style="width: 33%;"><input type="checkbox"/> Others</div><div style="width: 33%;"><input checked="" type="checkbox"/> School Districts</div><div style="width: 33%;"><input type="checkbox"/> WTCS Districts</div></div></div></div>	

Fund Sources Affected
☒ GPR ☐ FED ☐ PRO ☐ PRS ☐ SEG ☐ SEGS

Affected Ch. 20 Appropriations
20.255 (2) (ac)

Fiscal Estimate Narratives

DPI 2/13/2025

LRB Number	25-1850/1	Introduction Number	SB-0032	Estimate Type	Original
Description requiring a school board to spend at least 70 percent of its operating expenditures on direct classroom expenditures and annual pay increases for school administrators					

Assumptions Used in Arriving at Fiscal Estimate

Under this bill, all school boards would be required to spend a minimum of 70 percent of its operating expenditures on direct classroom expenditures, as defined in the bill, defined as “salaries and benefits of teachers and teacher aides, instructional supplies, tuition, athletic programs, and cocurricular activities”. For school boards that do not meet the 70 percent minimum, the school board would be required to increase the percent of its operating budget spent on direct classroom instruction each year, by two (percentage points), until the 70 percent minimum is reached.

Additionally, the bill directs DPI to impose a penalty on non-compliant school boards, by reducing state aid payments for the school district, equal to the difference between the 70 percent minimum amount and the actual amount spent on direct classroom instruction. Further, the bill specifies that if the penalty amount exceeds the amount of state aid for which a school district is eligible that year, DPI would be required to order the school board reduce property tax obligations by the remaining penalty amount. The bill also refers to the “school district’s refunds to taxpayers”, suggesting the intent is for school boards to literally return monies to taxpayers (as opposed to reducing the subsequent year’s tax levy for school operations).

Finally, the bill limits annual compensation increases for school administrators, business managers, or school principals, or an assistant to any of those positions (collectively, school administrators), to the average annual percentage increase in total compensation that the school board provided to teachers in the school district.

State Impact: potential for reduction of outlays / indeterminate

Under the bill, school districts could incur a loss of aid if they are determined to be out of compliance with the bill’s requirements. The unpaid aid would revert to the state’s general fund (i.e., net impact of reducing outlays from the State’s General Fund). DPI cannot estimate what this amount will be for future years if the bill is implemented.

Local Impact: potential for loss of revenue / indeterminate

If found to be non-compliant with respect to the 70 percent benchmark for direct classroom expenditures, school districts could suffer a loss of aid. The amount of the revenue loss would depend on the difference between an individual district’s benchmark (70 percent) amount and actual expenditures on direct classroom expenditures. DPI cannot estimate what this amount will be for future years if the bill is implemented.

Long-Range Fiscal Implications