

# State and Federal Policy Update, Including the Effects of the New Federal Tax Law

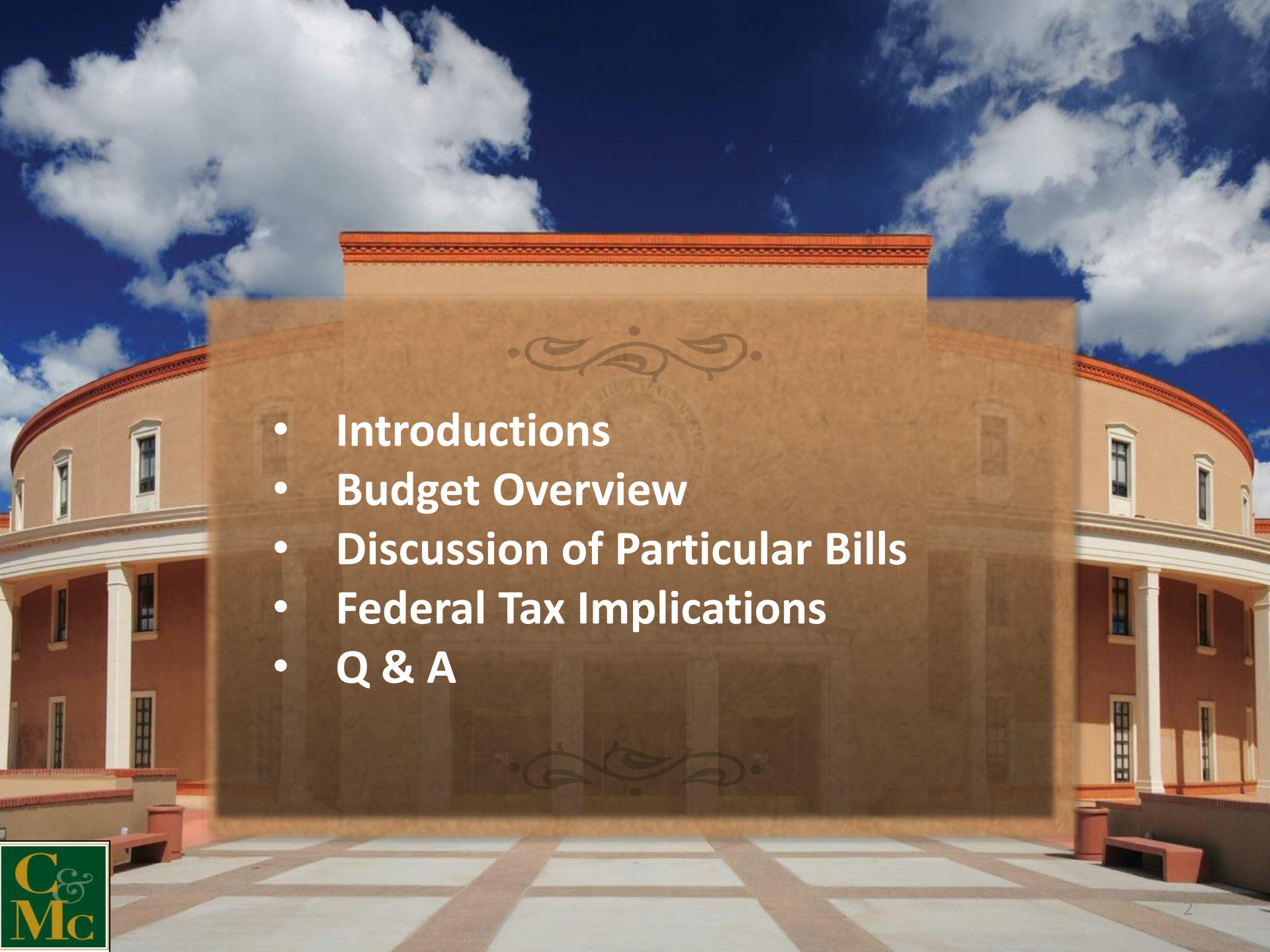
Friday, February 9, 2018



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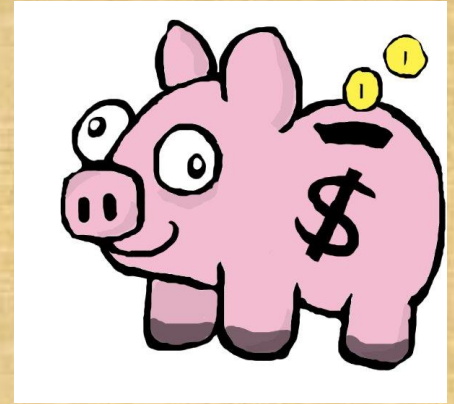


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- **Introductions**
  - **Budget Overview**
  - **Discussion of Particular Bills**
  - **Federal Tax Implications**
  - **Q & A**



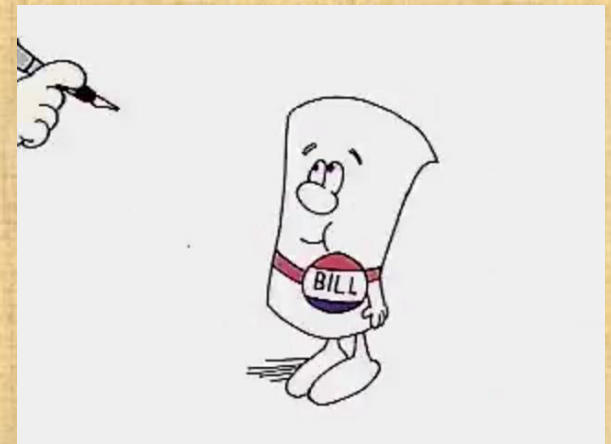
# Overview of this Session



- 30 day session – Budget
- Messaged items
- Revenue projections better
- House – 370 regular bills  
(compared to 577 filed last session)
- Senate – 317 regular bills  
(compared to 538 filed last session)

# Review of the Legislative Process

- Three readings of a Bill in each Chamber
- Bill introduced in its respective chamber (1<sup>st</sup> reading)
- Generally assigned to 2 committees
- Third Reading means Floor Debate on the Bill



# Overview of Issues This Session



# Themes this Session

- Money, money, money!  
Much better than last year
- Sexual Harassment
- Education
- Crime & Safety
- Federal Tax Changes  
from Washington, DC



# The New Mexico Budget – HB2/3



- Budget for FY19 (July 1, 2018 through June 30, 2019)
- Recurring general fund appropriations total:
  - \$6.3 Billion
  - An increase of approximately \$250M, or 4.1% over the adjusted FY18 operating budget
- Replaces \$77M of nonrecurring revenues used to balance FY18 and prior year budgets
- Recurring amount includes \$88.7M for compensation increases, including 2% COLA increase for all state employees
- Public safety, state police, prison guards, parole officers and district attorneys get an additional 4.5%
- Court personnel, social workers, and nurses get add'l 2.5%
- Classroom Teachers receive an additional 0.5%

# The New Mexico Budget – Gov's Proposal

- Budget for FY19 - recurring general fund appropriations total:
  - \$6.32 Billion
- \$70 million for classroom spending targeted to provide more instructional materials, increase teacher pay and reward our highest performing teachers
- \$25 million to improve access to child care
- \$1 million for CYFD child protective services
- 1% salary increase for state employees (with 2% increase for teachers and instructional staff)





# Discussion of Particular Bills



# **HB98 – Local Election Act**

- It's back! Like Last Session's HB 174: LOCAL ELECTION ACT. Last year's bill passed both Houses but was pocket vetoed by the Governor.
- The Bill, if passed into law, will become effective July 1, 2018 and will:
- Repeal the School Election Law
- Consolidate the regular elections for “local governments” which will be held on the first Tuesday after the first Monday in November of odd-numbered years.
- Local Governments whose elections are included are school districts, special hospital districts, community college district, technical vocational institute districts, learning center districts, arroyo flood control districts, special zoning districts, soil and water conservation districts, water and sanitation districts, and municipalities, including home-rule municipalities and municipalities operating under a territorial or special charter, and beginning July 1, 2022, conservancy districts and watershed districts.





# HB 98: LOCAL ELECTION ACT

- For School Districts, the first local election would be in November 2019.
- For current board members whose term is set to expire on or before June 30, 2020, term will expire on December 31, 2019 and successor's term begins January 1, 2019.
- For current board members whose term is set to expire between July 1, 2020 and June 30, 2022, term will expire on December 31, 2021 and successor's term begins January 1, 2022.
- For current board members whose term is set to expire on or after July 1, 2022, term will expire on December 31, 2023 and successor's term begins January 1, 2022.
- Regular local election ballot may also contain ballot questions proposed by state, county or local government. Elections on ballot questions that are not in the regular local election, will be in the general election or a special local election.

# **HB98 – Local Election Act– Local Election Fund**

- Act creates a local election fund to reimburse counties and the Secretary of State for conducting and administering elections.
- Each local government (school board) shall pay an annual assessment (in two installments) to the Secretary of State for deposit into the local election fund.
- Annual assessment equals \$250 per one million dollars of the local government's operating expenses (not including federal funds received by the local government nor money spent on capital expenditures).



# HB 98: LOCAL ELECTION ACT

- Regular local election may contain ballot questions proposed by school district. Ballot questions may also be held with a statewide general election or in a special local election. **§1-22-3C.**
- Regular local elections shall be called by proclamation issued by Secretary of State (SOS). **§1-22-4A.**
- Between 120 and 150 days before the next local election, each district shall notify the SOS of board positions to be filled in that election. The proclamation shall specify date of regular local election, positions to be filled, and date on which declarations of candidacy are to be filed. **§1-22-4B and 4C**
- After receipt of proclamation, county clerk posts proclamation on clerk's website, and not less than 75 days before election, shall publish relevant portions of proclamation at least once in a newspaper of general circulation in the county. The proclamation shall specify:
  - Date of election; positions on each board, date of declaration of candidacy; precincts in each county and locations of polling places; hours of polling places and alternative voting location; date and time of closing of voter registration books; **§1-22-4D**

# HB 98: LOCAL ELECTION ACT

- A candidate shall file a declaration of candidacy with the proper filing officer (county clerk) between 9am and 5pm on 70<sup>th</sup> day before election **§1-22-7A**
- Local election ballots non-partisan with candidates' names listed on the ballot without party or slate designation, in an order determined by the Secretary of State either by lot or randomization as provided by rule. **§1-22-10D**



# **HB 98: LOCAL ELECTION ACT**

## **Ballot Order**

- Local Election Act ballots shall list offices in the following order, when applicable (**§1-22-10.1**):
  1. Municipal elections (executive officers, governing board, judicial officers)
  - 2. School board elections**
  3. Community college elections
  4. Special district elections
  5. In the order prescribed by SOS:
    - a) County questions
    - b) Local gov't questions
    - c) Other ballot questions

# **HB 98: LOCAL ELECTION ACT**

## **Ballot Order (cont'd)**

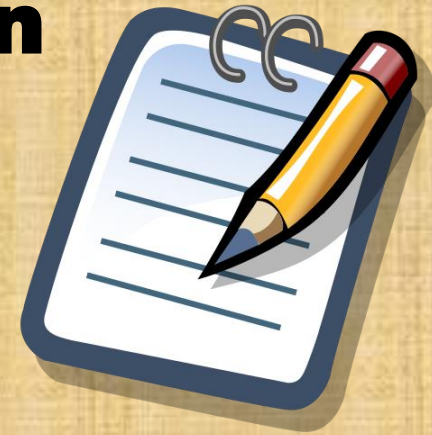
- The Board of County Commissioners shall permit ballot questions on the local election ballot so long as there is sufficient space on both sides of a single page ballot. (**§1-22-10.1**)
- If insufficient space, questions shall be included in order received by county clerk.
- If second page required, it shall be permitted if the requesting local government pays.

# HB 98: Special Elections

- Unless a special election is held with a general election or regular local election, local government special election shall conduct election by mailed ballot exclusively, including school board member recall elections. **§1-24-3A.**
- Postage pre-paid ballot will be mailed to each voter no earlier than 21 days prior to election and no later than 14 day prior. **§1-24-3C**
- Mailed ballot elections shall be used exclusively for voting in special elections on a ballot question, including a recall election, and shall not be used in elections of candidates for office **§1-24-3D**
- Local gov't to reimburse county for costs associated with special election. **§1-24-3E**
- No special election shall be held within 70 days before or after any statewide election (primary, general, or special statewide election or regular local election). **§1-12-71**



# Other Bills this Session



## School Data

### **HB48 Prior Year Data for School Distributions**

(Roch) – requires PED to use prior year data for determination of distribution amounts to school districts

**HB180 School Data Collection & Class Goals** (Larrañaga, Bobby Gonzales, Youngblood) – Requires implementation of a cost-saving, real-time advanced data collection system to reduce administrative costs for school districts and charter schools; establishes minimum classroom expenditure goals and provides an incentive to meet those goals

# Other Bills this Session

## School Safety and Abuse



### **HB122 Duty to Report Child Abuse & Neglect**

(Youngblood and Maestas) – clarifies language describing duty to report known or suspected child abuse or neglect

**HB130 Public School Capital Outlay for Security** (Bandy) – Reserves for each of 5 years a portion of public school capital outlay fund for school security system repairs, renovations & replacements

**SB31 School Sexual Assault Reporting Training** (Stewart) – Appropriates \$100,000 to PED for FY19 to train administrators and teachers on reporting allegations of sexual assault

**SB138 School Bus Seat Belts** (Soules) – Requires school buses purchased after July 1, 2018 to have seat belts, makes appropriation to PED for purchase of buses with seat belts

# Other Bills this Session

## School Safety and Abuse



### **SB172 School Suicide Awareness & Prevention**

(Ortiz y Pino) – Requires suicide awareness & prevention training for certain school personnel in public and private schools

**SJM4 Overweight Backpack Health Risks** (Stewart) – Encourages schools and parents to recognize and reduce the health risks to children from carrying overweigh backpacks

**SM8 Study School Suicides & Gun Violence** (Steinborn) – Requests PED and LESC to study/evaluate potential solutions to decrease rates of suicide by firearms and gun violence in schools and provide and report to LESC by October 1, 2018

**SB124 Public School Security Measures** (Munoz) – Makes an appropriation to fund security measures in public schools.



# Other Bills this Session



## Early Childhood

### **HB136 Childhood Poverty Awareness Training Act** (Ruiloba)

– Requires school districts that receive at-risk program units to provide training to employees on effects of childhood poverty on academic achievement and social development of students and include info in operating budgets on specific services to improve success of at-risk students

**HJR1 Land Grant Fund Distributions, CA** (Maestas & Martinez) – constitutional amendment to provide additional distribution of permanent fund in FY20 and FY21 for public school educational programs and early childhood Educational services, and in subsequent years, for early childhood educational services

# Other Bills this Session

## Early Childhood

**SJR3 Early Childhood Education Dept, CA** (Padilla) – constitutional amendment creating a State Department of Early Childhood Education

**SJR7 Severance Tax Fund for Early Childhood, CA** (Sapien) – constitutional amendment requiring an additional distribution from severance tax permanent fund for early childhood education and care programs

**SB100 Early Childhood Educator Development Program** (Tallman) – makes an appropriation to CYFD to fund a workforce and professional development program for early childhood educators



# Other Bills this Session

## Contract Matters



### **HB86 School Bus Replacement Contracts**

(Roch) – changes replacement cycles for district-owned buses and certain contractor-owned buses; allows purchase of school buses on a 15-year cycle or before school begins after odometer of bus exceeds 300,000 miles, whichever occurs first

**HB187 Extend Certain Multi-Term Contract Terms** (Dodge) – extends from 8 to 10 years the term of multi-term contracts of \$25,000 or more for personal property, construction or services

**HB219 Grade 7-12 Adjunct Instructors** (Youngblood) – Creates a pilot project to use contract adjunct instructors to supplement teaching staff in grades 7-12



# Other Bills this Session

## Capital Outlay (CO)

**HB130 Public School Capital Outlay for Security** (Bandy) – Reserves for each of 5 years a portion of public school CO fund for school security system repairs, renovations & replacements



**SB30 Change CO Funding Formula** (Stewart) – changes CO funding formula to determine state-local matches

**SB94 General Obligation Bond Projects** (Cisneros) – authorizes issuance and sale of capital project GO bonds to make capital expenditures and for school bus acquisitions to PED, \$2M to purchase and equip school buses statewide

**SB148 CO Reform Act** (Campos) – creates capital planning & assistance division of DFA, creates CO oversight task force, expands membership of capital buildings planning commission, requires annual statewide capital improvement plan

**SB149 CO Planning & Monitoring** (Campos) – replaces current capital program planning for state agencies, increases fiscal and programmatic scrutiny of CO expenditures, creates capital planning & monitoring division of DFA

# Other Bills this Session

## School Funds

**HB63 School District Cash Balances** (Townsend) – Appropriates \$50 million to PED for FY19 to restore operational fund cash balances of school districts and charter schools whose FY17 State Equalization Guarantee distributions were reduced in 2017



### **HB141 School District Cash Balances**

(Townsend/Hall/Crower/D.Gallegos/Adkins) – Makes appropriation to restore school districts' & charter schools' operational cash balances

**SB36 Public School Funding Sufficiency** (Soules) – appropriates \$374,900,000 to PED for distribution through the State Equalization Guarantee for FY2019 for public education based on funding increase recommended in 2008 independent comprehensive study of NM Public School Funding Formula as adjusted for inflation

# Other Bills this Session

## Teachers

**SB57 School District Personnel Minimum Salaries** (Ivey-Soto) – effective July 1, 2019 establishes minimum salary for certain school district personnel with a wage rate of not less than \$16/hour to all cafeteria staff and bus drivers, and all noncertified school personnel and licensed educational assistants beginning in FY21

**SB97 Military Spouse Teacher License** (Burt) – provides for expedited teacher licensure for military service members, and spouses of military service members and veterans

**SB116 Create Level 4 Teaching License** (Soules) – creates a level 4 teaching license, establishing a \$50,000 minimum salary





# Other Bills this Session



## Other Interesting Bills

**HJM6 VW Settlement Funds for Electric School Buses** (Roybal Caballero & Sen. Lopez) – resolves that the Governor be requested to direct use of the Volkswagen trust settlement fund (\$18,000,000) for purchase of electric school buses

**SB106 NM-Grown Produce in School Meals** (Woods) – makes an appropriation to provide NM-grown fresh fruits and fresh veggies for school meals

**SJM21 Study Redistricting of Large School Districts** (Sapien) – requests that the LESC and the LFC study the cost of any issues with the redistricting of large school districts

**SJR10 State Board of Education, CA** (Soules) – proposes to replace the Public Education Commission and Secretary of PED with a State Board of Education (9 members – 5 elected and 4 appointed) to set public school policy and appoint a Superintendent of Public Education

# HB210: SCHOOL ACADEMIC AND READING IMPROVEMENT PLANS (YOUNGBLOOD)

- Like last year's HB114 Reading Improvement Plans and Intervention (Youngblood)
- Requires reading improvement plans for K-3 students who are not proficient
- For grades 4-8, student must be proficient to be promoted to next grade.
- For students not promoted, new proficiency plans shall be developed.



# **The Tax Cuts and Jobs Act of 2017**





# **Tax Cuts and Jobs Act of 2017**

- Signed into law on December 22, 2017
- Permanent Corporate Tax Cut
- Individual Tax Rate Cuts until end of 2025
- Applies to 2018 Taxes



# Individual Tax Brackets in TCJA

|                                       |  |
|---------------------------------------|--|
| Not over \$9,525                      | 10% of the taxable income  |
| Over \$9,525 but not over \$38,700    | <u>\$952.50 plus 12% of the excess over \$9,525</u><br>$\$952.50 + (\text{Excess} \times .12)$   |
| Over \$38,700 but not over \$82,500   | <u>\$4,453.50 plus 22% of the excess over \$38,700</u><br>$\$952.50 + [(\$38,700 - 9,525) \times .12] + (\text{Excess} \times .22)$        |
| Over \$82,500 but not over \$157,500  | <u>\$14,089.50 plus 24% of the excess over \$82,500</u><br>$\$4,453.50 + [(\$82,500 - 38,700) \times .22] + (\text{Excess} \times .24)$    |
| Over \$157,500 but not over \$200,000 | <u>\$32,089.50 plus 32% of the excess over \$157,500</u><br>$\$14,089.50 + [(\$157,500 - 82,500) \times .24] + (\text{Excess} \times .32)$ |
| Over \$200,000 but not over \$500,000 | <u>\$45,689.50 plus 35% of excess over \$200,000</u><br>$\$32,089.50 + [(\$200,000 - 157,500) \times .32] + (\text{Excess} \times .35)$    |
| Over \$500,000                        | <u>\$150,689.5 plus 37% of excess over \$500,000</u><br>$\$45,689.50 + [(\$500,000 - \$200,000) \times .35] + (\text{Excess} \times .37)$  |

# Married Filing Jointly Tax Brackets in the TCJA

|                                       |  |
|---------------------------------------|--|
| Not over \$19,050                     | 10% of taxable income  |
| Over \$19,050 but not over \$77,400   | <u>\$1,905 plus 12% of excess over \$19,050</u><br>$(19,050 \times .10) + (\text{Excess} \times .12)$                          |
| Over \$77,400 but not over \$165,000  | <u>\$8,907 plus 22% of excess over \$77,400</u><br>$1,905 + [(77,400 - 19,050) \times .12] + (\text{Excess} \times .22)$       |
| Over \$165,000 but not over \$315,000 | <u>\$28,179 plus 24% of excess over \$165,000</u><br>$8,907 + [(165,000 - 77,400) \times .22] + (\text{Excess} \times .24)$    |
| Over \$315,000 but not over \$400,000 | <u>\$64,179 plus 32% of excess over \$315,000</u><br>$28,179 + [(315,000 - 165,000) \times .24] + (\text{Excess} \times .32)$  |
| Over \$400,000 but not over \$600,000 | <u>\$91,379 plus 35% of excess over \$400,000</u><br>$64,179 + [(400,000 - 315,000) \times .32] + (\text{Excess} \times .35)$  |
| Over \$600,000                        | <u>\$161,379 plus 37% of excess over \$600,000</u><br>$91,379 + [(600,000 - 400,000) \times .35] + (\text{Excess} \times .37)$ |





# How the TCJA affects education

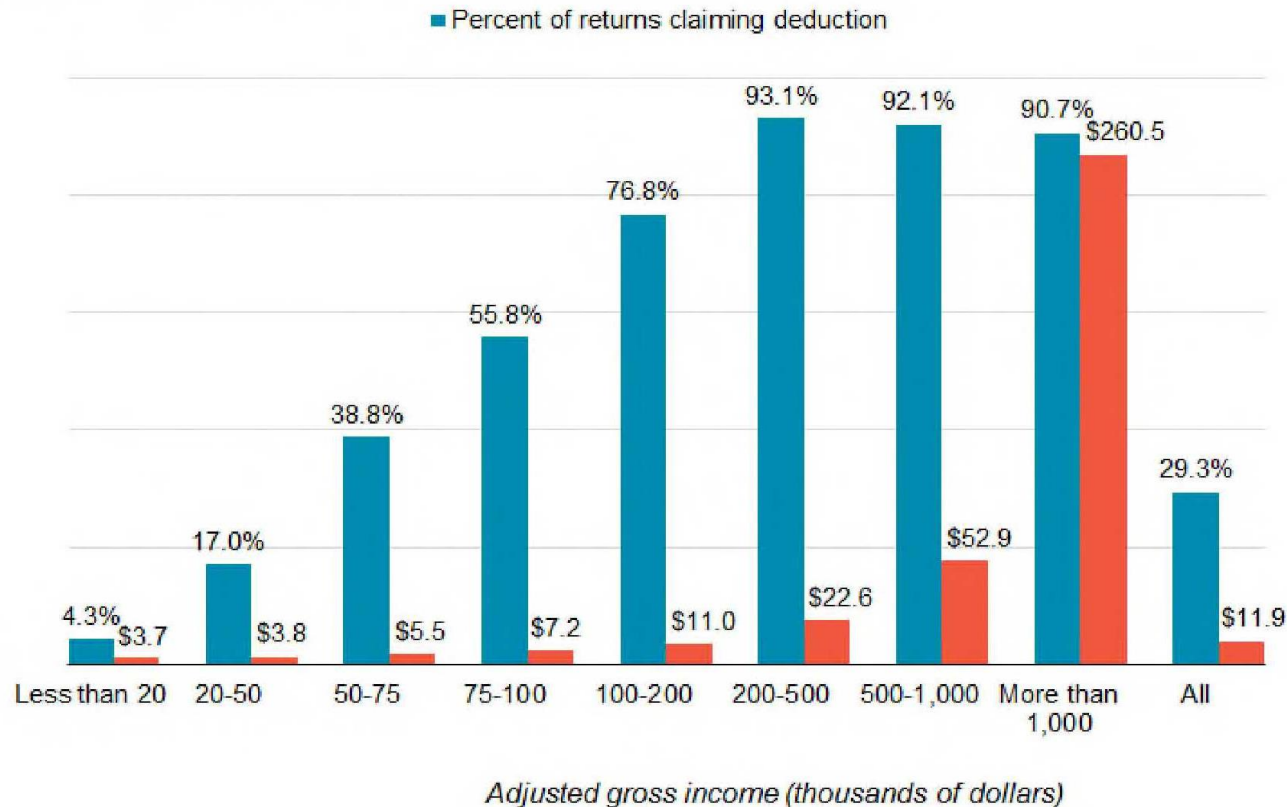
- Changes deductions for state and local taxes (SALT)
  - imposes a new, \$10,000 cap on those deductions
- Taxpayers can choose to deduct that amount in either property or sales taxes they pay, or property and income taxes
- This means that the federal government is subsidizing state and local taxes only up to \$10,000
- This could affect state and local governments' ability to adjust (increase) taxes as necessary to fund education



# How the TCJA affects education

FIGURE 1

Share of Returns Claiming the State and Local Deduction, and  
Average  
Deduction Claimed  
By income group, 2014



Source: Urban-Brookings Tax Policy Center based on data from the Internal Revenue Service.

**FIGURE 2**

## Returns Claiming the State and Local Deduction and Average Deduction Claimed by State

Average deduction in thousands of dollars, 2014

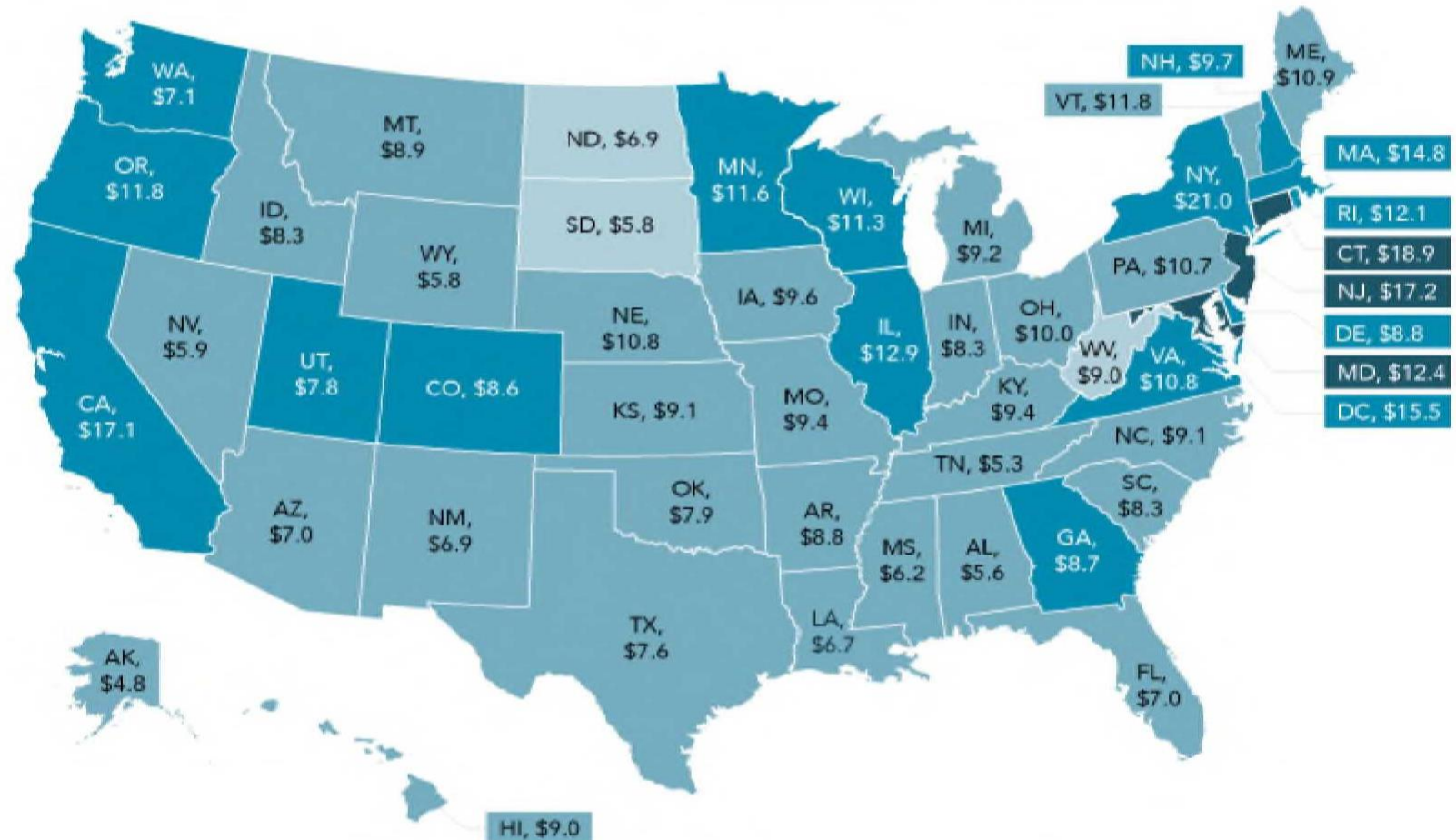


Percent of returns claiming deduction:

20%

30%

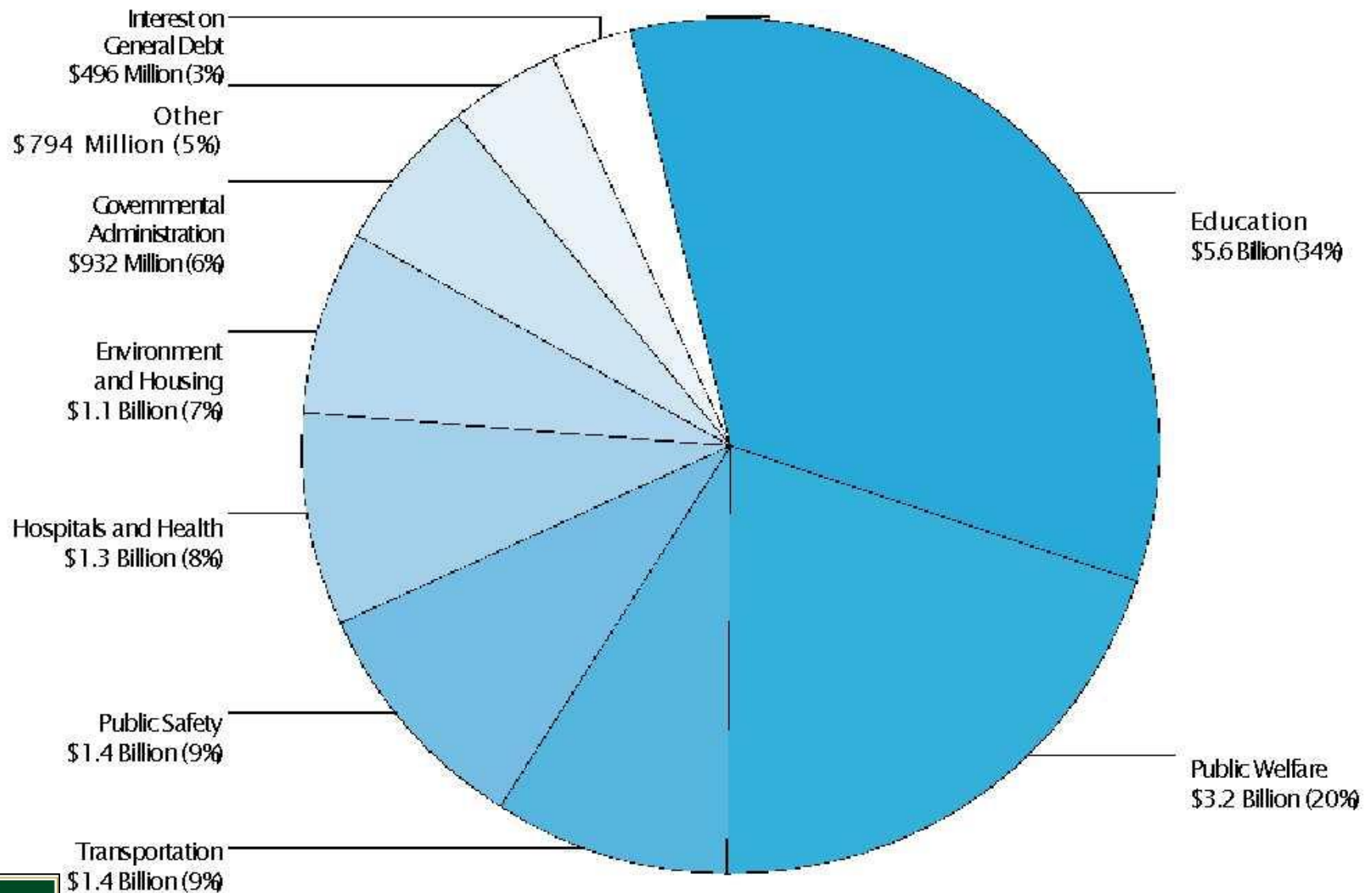
40%



Source: Urban-Brookings Tax Policy Center based on data from the Internal Revenue Service.



# State and Local Direct General Expenditures



Source: U.S. Census Bureau, 2007 Census of Governments—Finance Component.

# How the TCJA affects education

- Teacher tax-deduction roller coaster
- Proposals ranged from DOUBLING it to \$500 to cutting it down to \$0
- In the end, Congress decided not to change it.
- **Educators can still deduct up to \$250 for classroom expenses**

# How the TCJA affects education

- Saving for private school choice just got easier
- Allows parents to use 529 savings plan for K-12 expenses, including private school choice, as well as postsecondary costs.
- Puts a \$10,000 cap on the money people can set aside for K-12 in these plans.
- Does not cover home schooling expenses





# How the TCJA affects education

- New rules for school debt and construction
- Ends what are known as qualified school construction bonds and Qualified Zone Academy Bonds, which are tax-advantaged tools that can help reduce total capital costs for schools—the latter are particularly important to charter schools.

# How the TCJA affects education

- However, charter advocates have praised the bill for preserving Private Activity Bonds, which provide special financing for certain projects.
- Also, the Act ends advance refunding bonds, which are used to pay down long-term debt at reduced costs.
- K-12 business officials say getting rid of these robs them of helpful fiscal tool.

# Questions?





# Thank you!

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