



A Coalition of Professional Education Organizations

AFT New Mexico • Albuquerque Teachers Federation • NEA-New Mexico
New Mexico Coalition of School Administrators • New Mexico PTA
New Mexico School Boards Association

Public education is the single most important public institution in a democratic society. It is our ultimate department of defense against poverty, ignorance, hatred and intolerance.

Democracy is preserved only when we exercise it. Our children will get the public schools they need when each of us is willing to do what is necessary to reclaim, revitalize and re-establish public education as the powerful engine of democratic principles and progress it is meant to be. Ensuring that every child in America has a quality public education takes time, takes money and, most of all, requires acceptance of our personal and collective responsibility to see this ideal through to fruition.

*Wendy Puriefoy, President of Public Education Network
Education: Everyone's Responsibility*

The New Mexico Education Partners have limited our goals for this year to the urgent and the pragmatic. In the short-term, we are focusing on three things:

- 1) No more cuts to the State Equalization Guarantee (SEG) and the state's public education budget overall.
- 2) Generate the revenue necessary to fill the *real* school funding deficit, which currently tops \$340 million.

Because our state has chosen to use stimulus funds and money from non-recurring sources to cover shortfalls, the amount of money that is required to backfill the hole we have created is over 340 million dollars. While it is good news that we have not faced job losses and substantial cuts to programs, we must act now to ensure that our children's education does not suffer when the one-time money runs out.

- 3) *Generating sufficient revenue to hold education harmless from cuts and concurrently ensuring that essential services that also help kids are held harmless as well.*

Sufficient Revenues to Restore Cuts to Public School Funding and Replace Federal Education Stabilization Funds with an Omnibus Approach

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| <p>Cigarette Tax Increase. Increase cigarette tax by \$1.00 per pack. Cigarette consumption imposes significant costs on non-smokers through second hand smoke and health-related costs that are paid directly or indirectly by non-smokers. An increase in the cigarette excise tax is reported to have significant public support in comparison to other taxes.</p> | <p>\$33,145,000</p> |
| <p>Alcohol Tax Increase. Raise tax to \$0.10 per drink. The costs imposed on others by drinking alcohol, including victims of vehicle accidents and medical costs that are directly or indirectly paid by non-drinkers and responsible drinkers, are related to the alcohol content of beverages, and all options would reflect this relationship.</p> | <p>\$42,600,000</p> |
| <p>Require Quarterly Payment and Withholding on Nonresident with Income from Pass Through Entities (PTE). Withholding on nonresident owners of PTEs would be required on a quarterly, rather than the current annual, basis. Income tax withholding applies to payments of oil and gas proceeds and income of pass-through entities (PTEs) earned by nonresidents. However, “residency” for oil and gas proceeds withholding is based on mailing addresses, and nonresidents can opt out of PTE withholding by declaring they will meet their New Mexico income tax obligations by filing a return. Oil and gas proceeds withholding is paid quarterly, but PTE withholding is paid annually. In addition, a number of important definitions and rules are not specified for this withholding. Under the option, nonresidents could not avoid withholding through maintaining a New Mexico address or a declaration. Withholding on nonresident owners of PTEs would be required on a quarterly, rather than the current annual, basis. Important definitions and rules would be added.</p> | <p>\$10,000,000</p> |
| <p>One Percent Personal Income Tax Increase on High Wage Earners. Add a new tax bracket with a tax rate of 5.9% for taxable income over \$250,000 for heads of household, surviving spouses, and married individuals filing joint returns; over \$125,000 married individuals filing separate returns; and over \$167,000 for single individuals, estates, and trusts. Effective date: Taxable years beginning on or after January 1, 2010. The additional personal income tax bracket imposes a greater portion of the personal income tax burden on tax payers with greater ability to pay.</p> | <p>\$41,282,000</p> |

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| <p>Combined Reporting. This option would require all corporations that are members of a unitary group to file their New Mexico income tax return on a combined basis. The option would help “level the playing field” between large, multi-state corporations that may use aggressive tax planning and smaller, in-state corporations that operate only in New Mexico.</p> | <p>\$34,800,000</p> |
| <p>Equalize Tax between Natural Gas and other Liquid Hydrocarbons and Gases. Under current law, the Emergency School Tax basic rate on oil and other liquid hydrocarbons, carbon dioxide (CO₂), helium and nonhydrocarbon gases is 3.15% of taxable value. The basic Emergency School Tax rate on natural gas is 4%. This option would increase the basic Emergency School Tax rate on oil and other liquid hydrocarbons, CO₂, helium and non-hydrocarbon gases to 4%. The production of oil and other fossil fuels, including related activities of exploration, transportation for refining/processing, and refining/processing, create significant environmental damages that should be reflected in taxes on production.</p> | <p>\$35,913,000</p> |
| <p>Coal Surtax. Remove all exemptions to the coal surtax. Currently, the following exemptions to the surtax are in effect: (1) coal sold and delivered pursuant to genuinely new contracts entered into on or after July 1, 1990; (2) coal sold and delivered pursuant to contracts already in effect on July 1, 1990, that exceeds the annualized average calendar year deliveries under the contract during production years 1987, 1988 and 1989, unless the deliveries are reduced due to causes beyond the reasonable control of either party to the contract; and (3) if a contract existing on July 1, 1990, and renegotiated after May 20, 1992, requires the purchaser to take annual coal deliveries in excess of the greater of the average of calendar year deliveries from 1987-1989 or the highest annual contract minimum from 1987-1989, the surtax does not apply to such excess deliveries for the remaining term of the renegotiated contract. This would make the taxes on coal more in line with the taxes on other energy. <i>Not added to total, mitigates the effect of increasing the emergency school tax from severance funds by providing additional funds to the severance bond fund.</i></p> | <p>\$23,219,000</p> |
| <p>Move Severance Tax Funds from Bond Fund to General Fund. Transfer one percent of severance to emergency school fund. This option would reduce the basic severance tax rate for oil and natural gas to 2.75% and increase the basic school tax rate on oil to 4.15% and on natural gas to 5%. The option has no effect on total revenues; it simply transfers revenue between the Severance Tax Bonding Fund and the General Fund.</p> | <p>\$23,300,000</p> |
| <p>Reduce Capital Gains State Income Tax Deduction. Reduce the percentage of capital gains deduction from 50% to 25%. Capital gains are primarily reported by higher income taxpayers, so reducing the capital gains deduction increases the portion of personal income tax paid by higher-income taxpayers, making the overall State and local tax system less regressive.</p> | <p>\$28,350,000</p> |
| <p>Total</p> | <p>\$272,609,000</p> |

OR

Sufficient Revenues to Restore Cuts to Public School Funding and Replace Federal Education Stabilization Funds with an Simplified Approach Using Gross Receipts Tax

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| Seven/Tenths Percent Increase in Gross Receipts Tax. Increase the State gross receipts tax, compensating tax, interstate telecommunications gross receipts tax, and governmental gross receipts tax rates by 7/10% all increased revenue accruing to the State General Fund, earmarked for public education. | \$ 339,020,000 |
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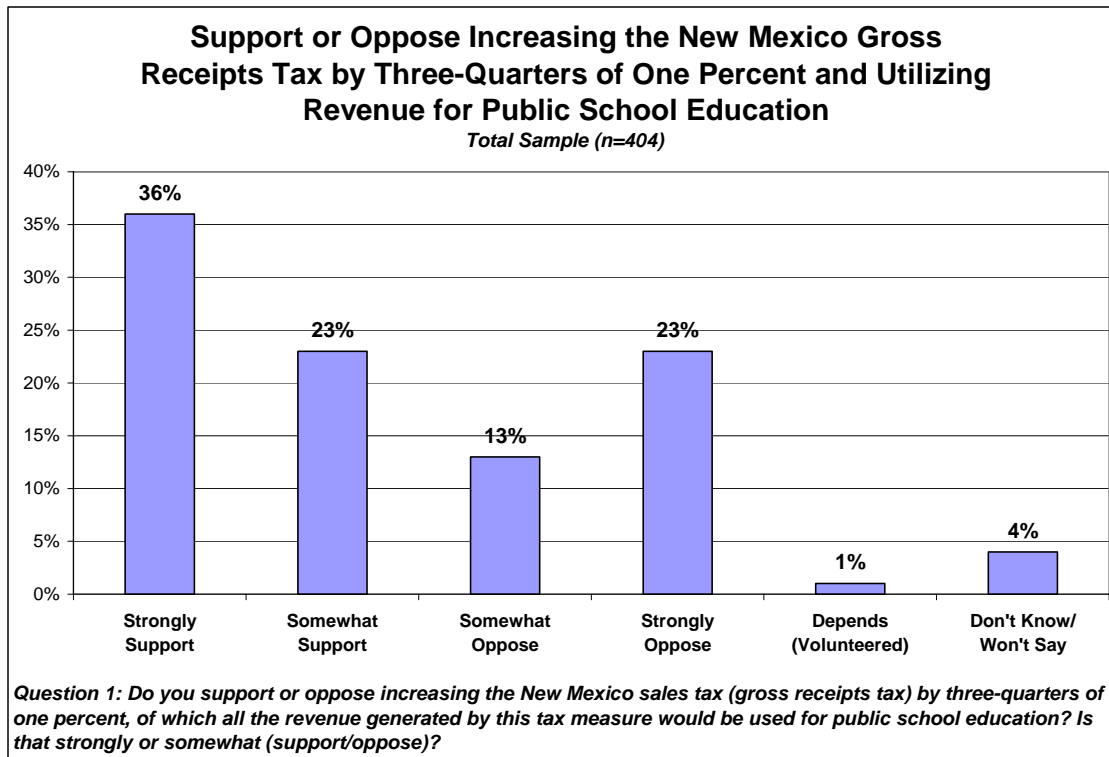
The Data that Supports Immediate Actions to Generate Revenues for Public Schools

Research and Polling Public Education Survey March 2009

Methodology

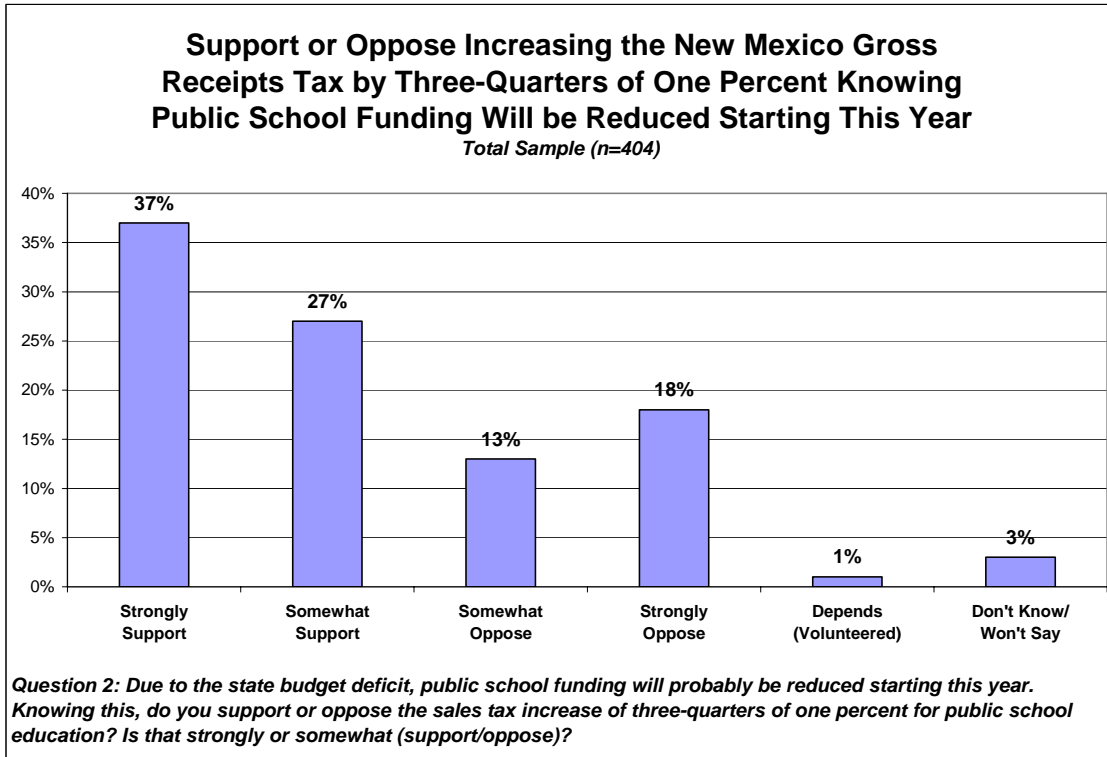
This study, conducted by Research & Polling, Inc., was commissioned by The New Mexico Education Partners. The objective of the study was to measure public opinion regarding a proposed three-quarters of one percent gross receipts tax increase for public school education. A random sample of 404 registered voters in the state of New Mexico was interviewed by telephone between March 2nd and March 3rd, 2009. A sample size of 404 provides a maximum margin of error of plus or minus 4.9%.

Key Findings



The majority of New Mexico's registered voters (59%) support increasing New Mexico's gross receipts tax by three-quarters of one percent for additional public school education funding; whereas 36% oppose this tax increase. Among the supporters, 36% strongly support it while 23% somewhat support this tax measure. Among opponents, 23% strongly oppose it, while 13% somewhat oppose the measure. Five percent of New Mexico's registered voters are either undecided or do not know whether they support or oppose it.

Among Democrats, 68% strongly or somewhat support the three-quarters of one percent gross receipts tax for public school education. Forty-nine percent of Republicans support the measure as do 54% of registered independents. Twenty-six percent of Democrats, 49% of Republicans and 43% of independents oppose this tax increase.



Registered voters who were opposed or undecided about the tax measure were asked a follow up question in which they were informed that due to the state budget deficit, public school funding will probably be reduced starting this year. They were then asked whether they support or oppose the three-quarter of one percent gross receipts tax increase for public school education. In total, 64% of registered voters either initially support the tax or support the tax measure after being informed that public school funding will probably be reduced this year and 31% continue to oppose the tax measure. Seventy-three percent of Democrats, 55% of Republicans and 57% of independents support the tax measure after being informed of the probability of reduced funding for education.

**Research and Polling
Public Education Survey
October 2009**

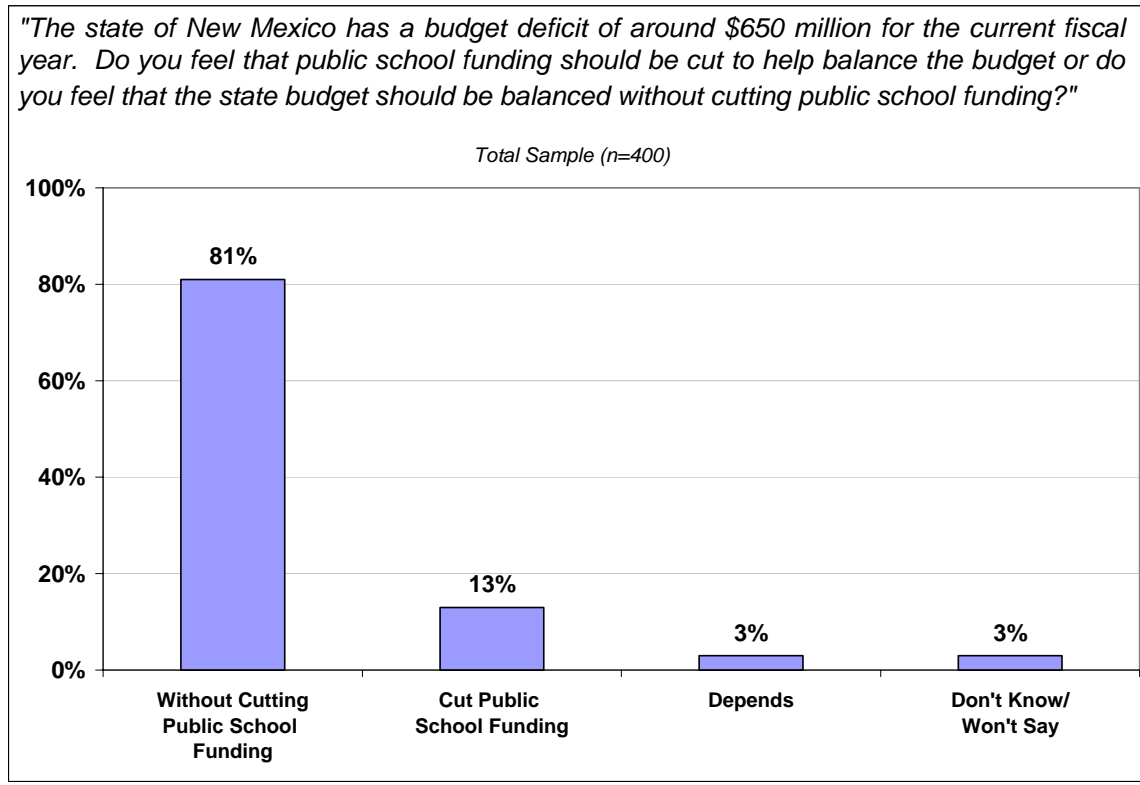
Methodology

This study, conducted by Research & Polling, Inc., was commissioned by the New Mexico Education Partners, a coalition of organizations that includes AFT New Mexico, NEA-New Mexico, the New Mexico Coalition of School Administrators, the New Mexico PTA, and the New Mexico School Boards Association. The objective of the study was to measure public opinion regarding public school funding issues in the State of New Mexico. A statewide random sample of 400 registered voters was interviewed by telephone between October 13th and October 15th, 2009. A sample size of 400 provides a maximum margin of error of plus or minus 4.9%. The demographics of the survey sample is representative of registered voters statewide. Demographics of the sample can be found on page 5.

Summary Results

Voters were informed that the State of New Mexico has a budget deficit of around \$650 million for the current fiscal year. They were then asked if they feel public school funding should be cut to help balance the budget, or if the state budget should be balanced without cutting public school funding.

Voter Opinions on Decreasing Public School Funding to Help Balance the State Budget



Overall, there appears to be very little voter support for reducing school funding to help balance the budget. As shown above, approximately four-in-five voters (81%) prefer balancing the budget without

cutting school funding. Just 13% believe the public school funding should be cut to help balance the budget, while 3% say it depends and 3% have not formed an opinion on the issue.

**Support or Oppose Various Proposals That Could Be Considered to Increase Public School Revenue
(Summary Table)**

*Ranked by Highest Percentage "Support"
Total Sample (n=400)*

| | <i>Support</i> | <i>Oppose</i> | <i>Depends</i> | <i>Don't Know/ Won't Say</i> |
|---|----------------|---------------|----------------|----------------------------------|
| In order to increase revenues for the public schools, do you support or oppose increasing taxes on tobacco and alcohol products? | 70% | 27% | 2% | 1% |
| In order to increase revenues for public schools, do you support or oppose increasing taxes on out-of-state corporations that do business in New Mexico? | 61% | 32% | 2% | 5% |
| New Mexico has two permanent investment funds, in which some of the revenue is used each year to fund education. Do you support or oppose taking more money out of the permanent funds each year to help fund public schools? | 55% | 31% | 4% | 10% |
| In 2003, the Legislature reduced state income taxes for New Mexico households. In order to increase revenues for public schools, do you support or oppose rolling back the tax cuts for higher income New Mexicans? | 49% | 43% | 1% | 7% |
| In order to increase revenues for public schools, do you support or oppose increasing gross receipts taxes (sales tax) by three-quarters of one percent? | 44% | 48% | 3% | 4% |

Voters were asked if they either support or oppose various proposals that could be considered to increase revenue for public schools.

As shown in the table above, voters show the highest levels of support for increasing taxes on tobacco and alcohol products as a way to increase funding for public schools. In fact, seven-in-ten voters say they would support raising taxes on alcohol and tobacco to increase school revenues, compared to 27% who are opposed to the idea.

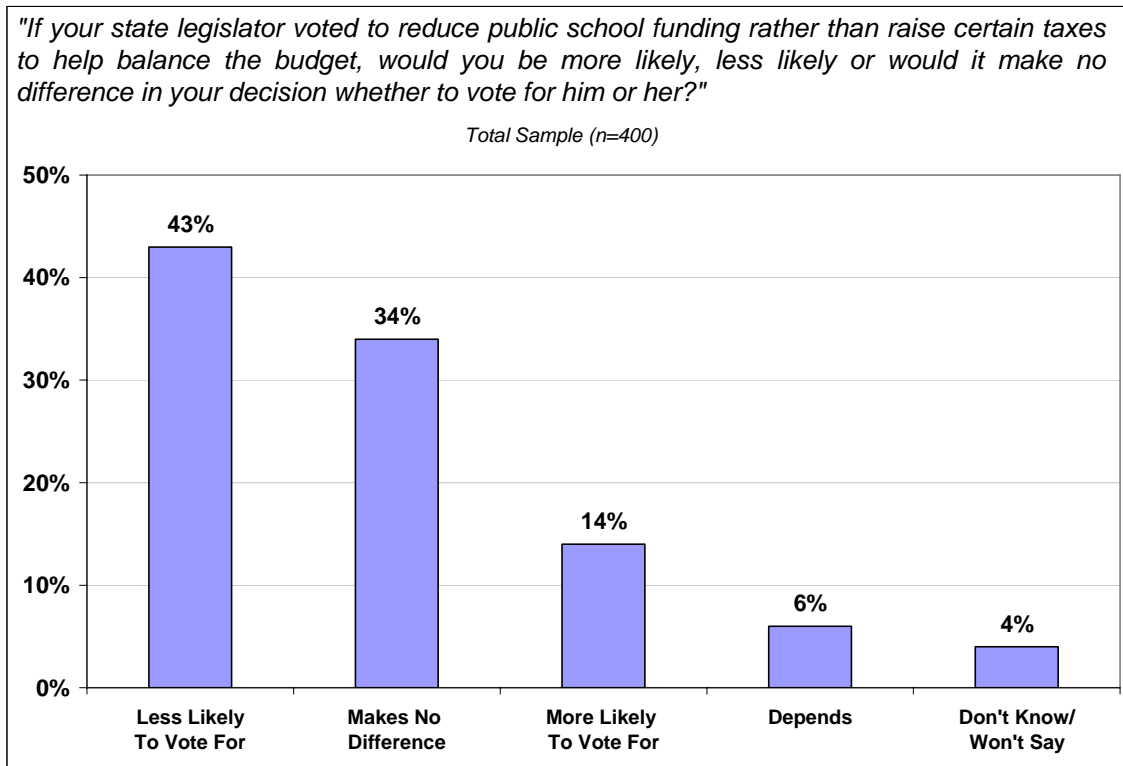
The majority of voters (61%) also support increasing taxes on out-of-state corporations that do business in New Mexico as a way to increase school funding, while 32% are opposed to the idea.

The majority of voters (55%) say they would support taking more money out of the permanent investments funds in the state as a way to increase revenues for public schools. However, 31% are opposed to taking more money out of the permanent funds, while 14% either say it depends or have no opinion on the issue.

Voters are polarized on the issue of rolling back the 2003 tax cuts for higher income New Mexicans as a way to increase revenue for public schools. While 49% support a roll back in the tax cuts for higher income residents, 43% are opposed to the idea and 8% either have no opinion or say it depends.

Voters are also divided on the idea of increasing gross receipts tax to increase school funding. Forty-eight percent of voters say they are opposed to increasing the gross receipts taxes (sales taxes) by three-quarters of one percent as a way to increase funding for public schools, while 44% support the idea.

Likelihood of Voting For Legislator Who Reduced School Funding Rather Than Raise Taxes to Help Balance Budget



The plurality of voters (43%) say they would be *less likely* to vote for their state legislator if he/she voted to reduce public school funding rather than raise taxes to help balance the budget, though 34% say it *would not make a difference* in their opinion. Just 14% of voters say they would be *more likely* to support a legislator who voted to reduce school funding rather than raise certain taxes to help balance the budget.

In addition to our recommendations to generate sufficient revenue to hold education harmless from cuts and concurrently ensure that essential services that also help kids are held harmless as well the New Mexico Education Partners propose:

No new programs until all current mandated programs are fully funded.

The Education Partners respectfully request that the legislature authorize no new programs of any kind related to public school operations(including new additional start-up charter schools which do have a *General Fund* impact) until all existing programs and requirements have been fully funded and implemented effectively.

The Education Partners further request that the legislature delay the expansion /implementation of any potentially un(der)funded initiatives - e.g. RtI, school calendar changes, instructional materials purchases etc. due to the current economic realities.

All necessary funding for mandated testing (federal and state) must be funded from the PED budget—not from school districts' budgets.

Reduce the number of mandated tests

Opposition to Virtual Charter Schools

After careful consideration ,the New Mexico Education Partners have taken a position to oppose the creation and approval of virtual charter schools in New Mexico. It is our position that virtual charter schools are merely a glorified form of home schooling at the taxpayer's expense. These schools take money away from traditional public schools that are already faced with severe financial shortfalls.

Virtual charter schools raise serious accountability problems. The lack of conformity to state curriculum requirements, assessment by standardized exams, and educational accountability are enough by themselves to reject these schools. These schools clearly require expanded state regulation and oversight. It is our position that virtual charter schools cannot meet the national "No Child Left Behind" guidelines that require a "highly qualified teacher" in every classroom.

Another serious drawback of virtual charter schools is the potential for students to feel isolated in their home-based studies. Traditional schools teach students essential social skills that are extremely important to the students' long-term success in the workplace and in college. Although students of virtual charter schools may communicate with one another via online forums, questions about whether this kind of interaction can replace the interactions in a live classroom persist. We also believe that younger students may not have the self-motivation or self-discipline to succeed in learning using only instructional modules on a computer; they need the constant and frequent guidance and supervision of a highly qualified teacher.

Provide all regular public schools the same authority and flexibility to innovate as the collaborative school improvement act provides (22-5-15 NMSA 1978).

The Collaborative School Improvement Act was enacted "to implement a collaborative school improvement program upon a finding that the plan is in the best interest of the public school and is supported by the participating teaching staff." Individual schools implementing such programs may get waivers of Public School Code [22-1-1 NMSA 1978] provisions relating to length of school day, staffing patterns, subject areas or purchase of instructional material.

This flexibility must be encouraged in all public schools. Those of us committed to innovation and who wish to remain the system should have the ability to reform the system.

Note: We believe that public schools can restructure their education program and use innovative governance and teaching methods without the necessity of waiving requirements relating to individual class load and teaching load.

Retiree Health Care Authority

The NM Education Partners want NMRHCA to continue providing comprehensive, affordable coverage to public retirees while ensuring the financial stability of the Authority for future retirees. Over the last two years, NMRHCA has raised premiums from current retirees and amended benefit plans from which they can choose in order to sustain the Authority. A bill was passed last legislative session increasing active employee/employer contributions over a three-year period beginning on July 1, 2010. This increase is forecast to extend the Authority's solvency from 2017 to approximately 2028. While discussions have considered the possible delay of this increased contribution to the Authority in light of the dire economic forecasts, such delay would be a harsh blow to the

stability and long-term future of the Authority. NM Education Partners supports the continued legislative appropriations and increased employee/employer contributions on their original timetable for the greater good of both current and future retirees.

The Long-Term Goals of the NM Education Partners

Generate enough revenue to sufficiently fund schools and provide raises for school employees.

While we realize that generating sufficient revenue is unlikely to be the focus of the 2010 short session, it is our intent to work toward sufficiency soon. One important consideration is to address the sunset provision that would roll back the revenue from the permanent fund from 5.7% to 5.0% by 2012.

Pass the funding formula as a way to distribute the sufficient revenue.

All of us in the New Mexico Education Partners want to emphasize that the current lack of revenue *does not* prevent our state from planning for a funding source that would ensure our ability to act on the mandate in New Mexico's Constitution, which requires that:

"A uniform system of free public schools sufficient for the education of and open to all children of school age in the state shall be established and maintained."

The New Mexico Constitution does not say a public school system will be established and maintained if funds are available. It specifically says a sufficient public school system shall be established and maintained. This is the only obligation, in terms of providing services to New Mexico's citizens, that the state Constitution imposes upon state government. The legislators are the ones who are sworn in to uphold the Constitution. The Legislature must act on the proposed funding formula and identify the funding source.

Democracies don't materialize out of thin air. They are created—and maintained and deepened—by citizens. If citizens are to safeguard civil liberties, elect wise officials, become wise officials themselves, make sense of the news and negotiate public policy with other citizens in an ever more diverse society, "their minds," as Thomas Jefferson said, "need to be improved to a certain degree."

Public schools are ideal sites for this work. They are public places, so they possess the essential assets for cultivating democratic citizens: a diverse student body, shared problems and a curriculum.

Walter C. Parker
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Public Schools Are Hotbeds of Democracy

