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**LEGISLATIVE EDUCATION STUDY COMMITTEE**  
**BILL ANALYSIS**  
**54th Legislature, 2nd Session, 2020**

<b>Bill Number</b>	<u>HB359</u>	<b>Sponsor</b>	<u>Gallegos, Da./Chatfield/ Black/Strickler/Sweetser</u>
<b>Tracking Number</b>	<u>.216222.1</u>	<b>Committee Referrals</b>	<u>HEC/HTRC</u>
<b>Short Title</b>	<u>Rural Teacher Tax Credit</u>		
<b>Analyst</b>	<u>Simon</u>	<b>Original Date</b>	<u>2/11/2020</u>
		<b>Last Updated</b>	<u></u>

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**BILL SUMMARY**

Synopsis of Bill

House Bill 359 (HB359) would create a new section of the income tax act to provide full-time teachers in rural school districts with a \$1,500 tax credit.

**FISCAL IMPACT**

HB359 would reduce personal income tax collections that flow into the general fund. To qualify for the tax credit offered by HB359, a taxpayer must be a licensed level 1, level 2, or level 3-A teachers with the primary responsibility of classroom instruction or supervision below the principal level. To qualify for the tax credit, the teacher must be a full-time employee in a rural school district, on at least a 9.5 month contract that ends in the taxable year.

HB359 defines a “rural school district” as: (a) a school district with no more than four public schools; (b) a school district located on the border that can demonstrate to the Public Education Department (PED) that it is losing teachers to school districts in a bordering state; (c) a school district located more than 35 road miles from an urban cluster or urbanized area, as defined by the U.S. Census Bureau; or (d) a public school that is more than 35 road miles away from the school district’s central administrative building.

Using enrollment and teacher salary data from PED, it appears that at least 50 of the 89 school districts qualify as a rural school district based on the number of public schools. In addition, 17 public schools in five school districts are located more than 35 road miles away from the school district’s central administration building. These school district and public schools have 1,825 teachers.

In addition to those school districts which qualify because of the number or location of schools, 13 school districts may or may not qualify based on their location on the border with another state. It is unclear how many of these school districts will be able to demonstrate to PED that they are

losing teachers to another state. If all of these school districts qualified, as many as 5,245 additional teachers could qualify for the tax credit included in HB359.

Based on initial analysis it does not appear that any school district would qualify as a rural school district solely under criteria (c). Of those school districts with more than four schools, only four school districts do not contain an urban cluster or urbanized area, according to the U.S. Census bureau. Those school districts are Cimarron Municipal Schools, Estancia Municipal School District, Hatch Valley Public Schools, and Jemez Mountain Public Schools. However, it does not appear that these school districts are located more than 35 road miles from the nearest urban cluster, measuring from the border of the urban cluster to the border of the school district. For example, the border of Jemez Mountain Public Schools appears to be less than 30 miles away from the northwestern most point of Espanola's urban cluster.

For the purposes of this analysis, locally-chartered charter schools are included within the school district that authorizes the charter school. PED considers locally-chartered charter schools to be a component of the school district. HB359 appears to exclude state-chartered charter schools. Almost all of these charter schools are located within school districts that would not qualify as a rural school.

Assuming at least 1,825 teachers qualify for the tax credit (using criteria (a) and (d) above) the total fiscal impact to the general fund would be \$2.7 million. However it is likely that some unknown number of school districts will qualify under criteria (b). Should all school districts on the border with another state be considered rural school districts, the number of teachers qualifying for the tax credit could be as high as 6,880, with a fiscal impact of \$10.3 million. **Attachment: Qualification Criteria for the Rural Teachers Tax Credit** reports the school districts that appear to qualify under HB359.

HB359's tax credit would not be refundable, but a taxpayer may carry forward the tax credit for three consecutive years.

At time of publication, analysis from the Taxation and Revenue Department (TRD) or PED was not available for HB359.

## **SUBSTANTIVE ISSUES**

HB359 proposes a strategy to address a shortage of qualified teachers to serve in public schools in rural New Mexico. According to the 2019 Educator Vacancy Report from New Mexico State University's Southwest Outreach Academic Research Evaluation and Policy Center, 335 of the 644 teacher vacancies in the state are in regions where most school districts would be considered a rural school district under HB359. Although the central region, which is largely not considered a rural school district had the most vacancies of any region, this region includes school districts with a higher number of teachers. The report does not report a vacancy rate, and does not include school district-level data, making it difficult to determine if the teacher shortage is worse as a percentage of teacher positions in rural areas or urban areas.

Provisions of HB359 may help some school districts in the southeast region address reported issues with teacher recruitment. School districts in this region report high levels of competition for new teachers with school districts in west Texas. Reportedly, some Texas school districts are using "signing bonuses" to recruit teachers to their school districts, and some offer significantly higher

starting salaries than New Mexico school districts. The tax credit in HB359 could provide teachers in these school districts with an incentive to continue serving New Mexico students.

### **ADMINISTRATIVE IMPLICATIONS**

HB359 would require a teacher wishing to claim the tax credit to submit an application to the PED, including their employment contract and other information required by PED. If PED determines the teacher is eligible for the tax credit, the department will provide the taxpayer with a certificate and provide the TRD with appropriate information. It appears from HB359 that PED would be required to certify each taxpayer in each year for which the taxpayer wishes to claim the credit. Analysis from PED is not yet available and it is unclear if PED will be able to handle the additional certification requirements within currently available resources.

HB359 requires TRD to report on the number of taxpayers approved to receive the credit and the aggregate amount of the credit to the Revenue Stabilization and Tax Policy Committee and the Legislative Finance Committee. HB359 indicates the report will be used to evaluate the credit. HB359 requires “other necessary information,” but does not specifically require TRD to report which school districts are participating, which could be useful in evaluating the impact of the program. While it might be useful if this reporting included the school districts in which these taxpayers are employed, it may not be possible for TRD to include this information to protect taxpayer privacy.

### **SOURCES OF INFORMATION**

- LESC Files
- Legislative Finance Committee (LFC)

**JWS/tb/mc/sgs**



Qualification Criteria for the Rural Teachers Tax Credit

	Number of Schools	Teachers in School Districts with 4 or Fewer Schools	School District Located on Border	Number of Teachers in School Districts on Border	Schools 35 Miles or More From Central Administration	Teachers in Schools 35 Miles or More from Central Administration
1	Alamogordo	15	X	366		1
2	Albuquerque	174				2
3	Animas	3	X			3
4	Artesia	10			1	2
5	Aztec	7	X	191		5
6	Belen	11				6
7	Bernalillo	10				7
8	Bloomfield	7				8
9	Capitan	3				9
10	Carlsbad	15	X	447		10
11	Carrizozo	3				11
12	Central	17	X	385	4	59
13	Chama	4	X			13
14	Cimarron	6	X	47		14
15	Clayton	3				15
16	Cloudcroft	3				16
17	Clovis	18				17
18	Cobre	6				18
19	Corona	2				19
20	Cuba	3				20
21	Deming	13				21
22	Des Moines	2	X			22
23	Dexter	3				23
24	Dora	2	X			24
25	Dulce	3	X			25
26	Elida	2				26
27	Espanola	13				27
28	Estancia	5				28
29	Eunice	3	X			29
30	Farmington	20	X	707		30
31	Floyd	3				31
32	Ft. Sumner	3				32

Qualification Criteria for the Rural Teachers Tax Credit

	Number of Schools	Teachers in School Districts with 4 or Fewer Schools	School District Located on Border	Number of Teachers in School Districts on Border	Schools 35 Miles or More From Central Administration	Teachers in Schools 35 Miles or More from Central Administration
33	Gadsden	27	X	906		33
34	Gallup	34	X	757	9	131
35	Grady	3	X			35
36	Grants	12	X	265		36
37	Hagerman	3				37
38	Hatch	5				38
39	Hobbs	18	X	579		39
40	Hondo	2				40
41	House	3				41
42	Jal	3	X			42
43	Jemez Mountain	5			1	5
44	Jemez Valley	4				44
45	Lake Arthur	3				45
46	Las Cruces	41				46
47	Las Vegas	6				47
48	Logan	4	X			48
49	Lordsburg	4	X			49
50	Los Alamos	8				50
51	Los Lunas	16				51
52	Loving	3				52
53	Lovington	10	X	211		53
54	Magdalena	3				54
55	Maxwell	3				55
56	Melrose	3				56
57	Mesa Vista	4	X			57
58	Mora	4				58
59	Moriarty-Edgewood	7				59
60	Mosquero	2				60
61	Mountainair	3				61
62	Pecos	3				62
63	Penasco	3				63
64	Pojoaque	5				64

Qualification Criteria for the Rural Teachers Tax Credit

	Number of Schools	Teachers in School Districts with 4 or Fewer Schools	School District Located on Border	Number of Teachers in School Districts on Border	Schools 35 Miles or More From Central Administration	Teachers in Schools 35 Miles or More from Central Administration
65	6		X	188		
66	3	23	X			
67	4	26	X			
68	3	63	X			
69	2	18	X			
70	19					
71	22					
72	2	11				
73	4	124				
74	3	14	X			
75	30					
76	5				2	10
77	9		X	196		
78	6					
79	3	16				
80	10					
81	3	26	X			
82	3	42	X			
83	5					
84	3	68				
85	4	71				
86	2	13				
87	2	15				
88	9					
89	4	91	X			
90	<b>812</b>	<b>1618</b>	<b>32</b>	<b>5245</b>	<b>17</b>	<b>207</b>

Source: LESC Files

Note: Shaded school districts appear to qualify as rural school districts. This analysis assumes all school districts located on the border qualify, though they will need to demonstrate to PED that the school district is losing teachers to another state.