# FISCAL IMPACT REPORT

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| **SPONSOR** | Reps. Sariñana, Gurrola and Lujan/Sen. Soules | **LAST UPDATED** | |
| | | **ORIGINAL DATE** | 2/4/25 |
| **SHORT TITLE** | Electric or Alt Fuel School Busses | **BILL NUMBER** | House Bill 32 |
| | | **ANALYST** | Liu |

**ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT***
**(dollars in thousands)**

| Agency/Program | FY25 | FY26 | FY27 | 3 Year Total Cost | Recurring or Nonrecurring | Fund Affected |
|---|---|---|---|---|---|---|
| **School Bus Replacements (Diesel)** | **No fiscal impact** | **No fiscal impact** | **$10,254.9** | **$10,254.9** | Nonrecurring | Public School Capital Outlay Fund |
| **School Bus Replacements (Electric)** | **No fiscal impact** | **No fiscal impact** | **$0.0 - $20,545.1** | **$0.0 - $20,545.1** | Nonrecurring | School District Operational or Capital Funds |
| **Total** | **No fiscal impact** | **No fiscal impact** | **$10,254.9 - $30,800.0** | **$10,254.9 - $30,800.0** | Nonrecurring | |

Parentheses ( ) indicate expenditure decreases.
*Amounts reflect most recent analysis of this legislation.

## Sources of Information

LFC Files

Agency Analysis Received From
Public Education Department (PED)
Public Regulation Commission (PRC)
Public School Facilities Authority (PSFA)

# SUMMARY

## Synopsis of House Bill 32

House Bill 32 requires the Public Education Department (PED) to provide school districts with the option of replacing school buses with an electric or zero emission alternative fuel school bus (ESB). PED must provide at least the same amount of funding for ESBs as the department provides for diesel school bus replacement if a school district has not obtained other funds to cover at least half of the cost of the ESB. If a district has obtained other funds to cover at least half of the cost of the ESB, PED can provide up to the same amount of funding as it would have for a diesel school bus.

The bill further authorizes ESBs to be used as electrical energy storage for providing grid services, reducing school daily electrical demand, and supplying electricity during an emergency. The superintendent will negotiate an agreement with the school, electric utility, or cooperative service for these services.

This bill does not contain an effective date and, as a result, would go into effect 90 days after the Legislature adjourns if enacted, or June 20, 2025.

## FISCAL IMPLICATIONS

Provisions of the bill would authorize the purchase of ESBs and related charging infrastructure but would not require the state to provide more funding for ESBs beyond what it normally would provide for a diesel bus replacement. Additional estimated operating costs in this analysis reflect the potential fiscal impacts to schools that choose to purchase ESBs.

The current upfront costs of ESBs are about three times higher than diesel school buses. The Electric School Bus Initiative, an ESB advocacy organization, estimates the purchase price for type C buses (which represent 70 percent of school bus fleets nationally) in 2022 was $352 thousand for ESBs and $103 thousand for diesel school buses. PED notes recent prices for ESBs cost on average $420 thousand each and charging stations can cost between $16 thousand and $46 thousand.

Current state law requires school buses to be replaced every 12 years. PED anticipates needing to replace 312 school buses by FY30. On average, PED will provide about $133.2 thousand per school bus. Assuming the average ESB will cost $400 thousand, schools will need to cover the remaining $266.8 thousand from local and federal funding sources. Total costs over the next five years could total $124.8 million from provisions of this bill, with two-thirds of the costs borne by local school districts. For FY26, PED did not request capital outlay funds for school bus replacements, as the agency did not indicate any school buses were at their 12-year replacement mark for the fiscal year. PED anticipates requests for replacements will continue beginning in FY27 and subsequent years. In previous years, the state has paid for school bus replacements through the public school capital outlay fund, which is the likely funding source for future fiscal years as well.

| | FY26 | FY27 | FY28 | FY29 | FY30 | Total |
|---|---|---|---|---|---|---|
| Number of School Bus Replacements | 0 | 77 | 120 | 90 | 25 | 312 |
| Diesel Bus Cost (in thousands) | $ - | $ 10,254.9 | $ 15,981.7 | $ 11,986.3 | $ 3,329.5 | $ 41,552.5 |
| Electric School Bus Cost Difference (in thousands) | $ - | $ 20,545.1 | $ 32,018.3 | $ 24,013.7 | $ 6,670.5 | $ 83,247.5 |
| Total Estimated Cost | $ - | $ 30,800.0 | $ 48,000.0 | $ 36,000.0 | $10,000.0 | $124,800.0 |

Source: PED

It is unlikely many school districts will switch to ESBs without the aid of other state or federal funds. As such, the real fiscal impacts of this bill will be highly dependent on the number of other funding sources available to school districts for ESBs. In response to a January 25, 2025, federal executive order titled “Unleashing American Energy,” federal agencies have paused disbursements of funds related to the Infrastructure Investment and Jobs Act of 2021 and Inflation Reduction Act of 2022, which included initiatives related to ESB grants. The directives under the executive order attempt to rescind federal subsidies for electric vehicles and other technologies, signaling a decrease in federal support for ESBs moving forward. As such, it is likely any future investment in ESBs will be primarily the responsibility of states. As such, this analysis assumes the additional costs will be borne through local school district operational or capital outlay funds.

PED notes $4 million from the FY23 transportation allocation was carried over into FY24 for an

ESB pilot project. The department awarded six ESBs to Albuquerque and four ESBs to Santa Fe. Additionally, Santa Fe received $1.1 million in 2022 from the Volkswagen settlement fund for the purchase of ESBs.

## SIGNIFICANT ISSUES

According to the World Resources Institute's (WRI) ESB U.S. Market Study, only 1.2 percent of the national school bus fleet is currently composed of ESBs. However, the last three years have seen a noticeable uptick in school districts beginning the process of converting their fleets to ESBs. This increased adoption of electric buses has likely been propelled by tax credits within the federal Inflation Reduction Act as well as advances in bus manufacturing. In 2022, five states - New York, Connecticut, Maryland, Maine, and Delaware - legislated electrification targets for their school bus fleets. Targets range from "all new school bus purchases must be electric by 2025" (Maryland) to "75 percent of new school bus purchases and contracts stipulated as zero emission by 2035" (Maine). Colorado and Michigan have also set (non-binding) targets through state agency processes. Washington State has also allocated $100 million toward purchasing zero-emission medium- and heavy-duty vehicles, including school buses.

As part of the federal Inflation Reduction Act, the U.S. Department of Energy (DOE) awarded nearly $1 billion for ESBs nationwide, including $4.6 million to four New Mexico school districts to purchase 12 ESBs (Dora: 2, Dulce: 2, Lake Arthur: 2, Las Cruces 5, and Pecos: 1). On average, these federal awards provided $380 thousand per ESB. According to DOE, average electric transit bus costs are currently just under $400 thousand, a decrease of over 35 percent from just over a decade ago when most electric transit bus costs exceeded $1.2 million.

| | Electric School Bus | Diesel School Bus |
|---|---|---|
| Purchase price ($MSRP for 2022, Type C) | $352,012 | $103,140 |
| 350 kW Single port DC Fast Charging Station | $140,000 | N/A |
| Overall fuel economy, in miles per gallon of gasoline equivalent | 22.1 MPGe | 6.5 MPGe |
| Overall maintenance and repair costs ($/mile) | $0.29 | $0.57 |
| Year 8 battery replacement costs *($ as of 2022)* | $15,162 - $120,000 | N/A |
| Diesel Exhaust Fluid ($/mile) | N/A | $0.03 |
| Full coverage cost to insurance ($/year) | $22,548 | $12,660 |

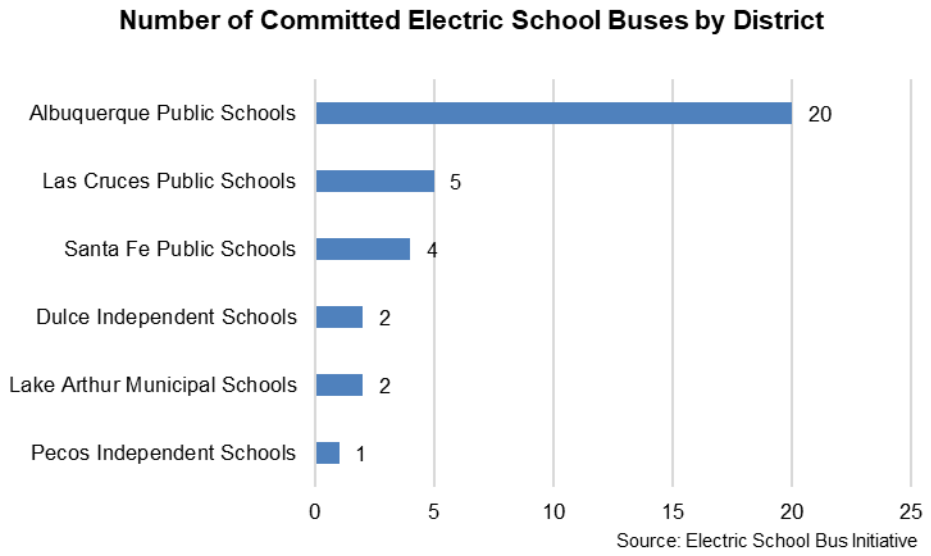
Source: WRI, USDOE

The overall cost of an ESB (without subsidies) is still higher than a diesel-powered bus; however, cost parity may be approaching in the next few years. A 2022 study commissioned by the National Renewable Energy Laboratory estimates that all zero-emission medium/heavy duty vehicles will reach total cost of driving parity with diesel by 2035 without any incentives and sales of new buses may transition to entirely zero-emission vehicles as early as 2030. However, it is unclear how recent federal action may affect this industry.

ESBs have only been on the roads since 2014, so the full lifespan of these vehicles has yet to be

determined. However, the average lifespan projections for ESBs appear to be comparable to diesel vehicles at 13.5 years, assuming optimal driving terrain and regular maintenance. According to WRI, the driving range of ESBs ranges from 125 miles to 210 miles. Reported ranges may be closer to 70 miles and 100 miles depending on passenger load and use of onboard systems like air conditioning or heating. PED notes the average school bus ride in New Mexico is less than 32 miles, with 99 percent of routes being under 78 miles. A 2023 LESC study of school transportation found school buses in New Mexico travel between 14.3 thousand miles to 20.4 thousand miles per year.

A 2024 LFC program evaluation of school transportation noted that, while the initial cost of an electric school bus was three to four times the common diesel school bus, research suggests their reduced maintenance and fuel costs made their lifetime costs comparable. LFC staff assessed the cost-benefit ratio of electric school buses and the status of electric school buses in New Mexico and found districts could save an estimated $4,000 to $11 thousand per bus per year compared with diesel buses. For example, Santa Fe Public Schools is expecting up to $15 thousand in annual fuel cost savings with its four electric school buses purchased with the Volkswagen Settlement funding. Across New Mexico, school districts have committed to 34 electric school buses, 14 of which are projected to be operating.




Exposure to diesel exhaust is connected to a wide range of negative health outcomes including asthma, pulmonary related emergency room visits, decreased lung function, and increased risk of cancers. Increased pollution levels are also connected to absences from school. Ultrafine particles, like those in diesel emissions, have been found particularly to impact the brain, causing inflammatory responses, lesions, and cognitive and behavioral issues. Researchers with the National Bureau of Economic Research identified retrofits on diesel buses that decreased ultrafine particulates had positive and significant effects on student test scores.

## ADMINISTRATIVE IMPLICATIONS

The bill authorizes ESBs to be used as electrical energy storage for providing grid services or school electricity supply (both daily and emergency) when not in use for transporting students. Prior to these ESB uses, the superintendent of the school district must negotiate an agreement

with the electric utility or cooperative service.

## OTHER SUBSTANTIVE ISSUES

According to the U.S. Environmental Protection Agency, school buses are parked an average of 18 hours a day during the school year and nearly three months over the summer. As such, ESBs can supply power as a parked vehicle to the power grid, also known as V2G. The first ESB V2G project in 2019 was a pilot involving seven ESBs at Cajon Valley Union School District in California, which is now supplying about 70 kW of power back to the grid—roughly enough to power 30 homes.

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