



LFC Requester: Liu

**PUBLIC EDUCATION DEPARTMENT
BILL ANALYSIS
2026 REGULAR SESSION**

SECTION I: GENERAL INFORMATION

Check all that apply:

Original Amendment
Correction Substitute

Date Prepared: February 2 2026

Bill No: HB261

Committee Referrals: HEC/HAFC

Sponsor: Terrazas / Garratt / Baca / Ramos / Mirabal Moya

Agency Name and Code: PED - 924

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SECTION II: FISCAL IMPACT

(Parenthesis () Indicate Expenditure Decreases)

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Nonrecurring	Fund Affected
FY27	FY28		
\$3,000.0	None	Nonrecurring	General Fund

REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Nonrecurring	Fund Affected
FY27	FY28	FY29		
None	None	None	N/A	NFA

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY27	FY28	FY29	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
Total	None	None	None	N/A	N/A	NFA

Duplicates/Relates to Appropriation in the General Appropriation Act: The Executive FY27 budget recommendation includes \$18.8 million for replacing school buses, but targets those funds for "to-and-from" school buses.

SECTION III: NARRATIVE

BILL SUMMARY

Synopsis: House Bill 261 (HB261) would appropriate \$3 million to the Public Education Department (PED) for grants to small rural school districts to support the purchase of activity buses for student activities.

The bill does not provide an effective date. Laws go into effect 90 days after the adjournment of the legislature enacting them, unless a later date is specified. If enacted, this bill would become effective May 20, 2026.

FISCAL IMPLICATIONS

The bill appropriates \$3 million from the General Fund to PED for expenditure in FY27 for grants to small rural school districts for the purchase of buses for student activities. Any unexpended balance remaining at the end of FY27 shall revert to the general fund.

SIGNIFICANT ISSUES

Per [Section 22-8-26 NMSA 1978](#) (transportation distribution), money from the transportation distribution for transportation maintenance and operations can only be used for the to-and-from transportation costs of K-12 students attending public school within the school district or state-chartered charter school at certain distances from the school. These funds cannot be used for extracurricular activities.

In the event a school district's or state-chartered charter school's transportation allocation exceeds the amount required to meet obligations to provide to-and-from transportation, three- and four-year-old developmentally disabled transportation, and vocational education transportation, 50 percent of the remaining balance shall be deposited in the transportation emergency fund. Of the excess amount retained by the school district or state-chartered charter school, at least 25 percent shall be used for to-and-from transportation-related services, excluding salaries and benefits, and up to 25 percent may be used for other transportation-related services, excluding salaries and benefits, as defined by rule of the department.

Rule [6.43.3 NMAC](#), Public School Transportation Operational Funding Reporting Requirements, which includes Section 22-8-26 NMSA 1978 as statutory authority, defines other transportation related services as including “the actual transportation of students to such events as follows: ancillary services, school to work programs, educational activities, before and after school programs, and school sponsored athletic programs.”

PERFORMANCE IMPLICATIONS

[Research](#) demonstrates that extracurricular activities provide academic, social, emotional, and health benefits for students.

ADMINISTRATIVE IMPLICATIONS

If HB261 were to pass, PED would have to manage a \$3 million grant for activity buses. This

would require developing and releasing an application, collecting and scoring responses, and managing grant funds.

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

Relates to [HB262](#), School Transport Emergency Fund Use, which allows the fund to be used for purchase of activity buses in rural school districts.

TECHNICAL ISSUES

None.

OTHER SUBSTANTIVE ISSUES

Rule [6.40.2 NMAC](#), New Mexico School Bus Standards and School Bus Phase-Out, requires all school buses including spare and activity buses to not be operated for any purpose once they have become 20 years of age, from the date of (body) manufacture. Such school buses are to be removed from service in accordance with [Section 22-16-9 NMSA 1978](#), which governs sale of school buses, including removal of school identification.

ALTERNATIVES

None.

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

None.

AMENDMENTS

None.