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LEGISLATIVE EDUCATION STUDY COMMITTEE
BILL ANALYSIS
57th Legislature, 2nd Session, 2026

Bill Number	<u>HB261</u>	Sponsor	<u>Terrazas/Garratt/Baca/Ramos/Mirabal Moya</u>
Tracking Number	<u>.233370.2</u>	Committee Referrals	<u>HEC/H AFC</u>
Short Title	<u>School Activity Buses</u>		
Analyst	<u>Montoya</u>	Original Date	<u>2/10/2026</u>
		Last Updated	<u></u>

BILL SUMMARY

Synopsis of Bill

House Bill 261 (HB261) would make a \$3 million dollar appropriation to the Public Education Department (PED) to support grants to small rural school districts for the purchase of student activity buses.

HB261 does not contain an effective date and, as a result, would go into effect 90 days after the Legislature adjourns if enacted, or May 20, 2026.

FISCAL IMPACT

HB261 appropriates \$3 million from the general fund to PED for expenditure in FY27. Any unexpended balance remaining at the end of FY27 shall revert to the general fund.

The House Appropriations and Finance Committee Substitute for House Bills 2 and 3 (HB2/HAFCS) does not contain a specific appropriation for grants to small rural school districts to purchase student activity buses as proposed by HB161.

SUBSTANTIVE ISSUES

Operational Funding for Activity Buses. School buses may be used for extracurricular activities; however, funding limitations may make this option impractical for some districts. When districts lack a sufficient number of buses available for extracurricular use, HB261 could provide a potential solution by expanding funding specifically for student activity buses. However, school districts often face constraints in operational funding for costs such as fuel and driver wages associated with extracurricular transportation. The transportation distribution, discussed below, is primarily intended to support transportation to and from school and may not provide excess funds to cover activities beyond that purpose. For additional detail on public school transportation funding, see the LESC report from the 2023 interim, [Study of the Public School Transportation Distribution](#).

School Bus Replacement. Section 22-8-27 NMSA 1978 establishes a 12-year replacement cycle for school buses owned by both local education agencies (LEAs) and school bus contractors, though the funding mechanisms differ. For LEA-owned buses, the Legislature typically appropriates funds from the public school capital outlay fund (PSCOF) to replace buses that are at least 12-years old. In years with limited funding, the Legislature may not make an appropriation for LEA-owned bus replacement. Appropriation amounts are calculated by multiplying the number of eligible buses by a per-bus replacement cost.

Public School Capital Outlay Fund. According to analysis provided by the Public School Facilities Authority, over the past six years the Legislature has appropriated \$61.6 million from the PSCOF to PED for the replacement of school buses across New Mexico. In addition, since FY21, the Legislature has allocated approximately \$1.4 million from a combination of the general fund, PSCOF, and severance tax bonds to support the installation of school bus camera systems.

Use of Capital Outlay Funds. School districts and state-chartered charter schools may use capital outlay funds to purchase “activity vehicles,” such as mini-buses, sport utility vehicles (SUVs), or vans. The Public School Capital Improvements Act (Section 22-25-2 NMSA 1978), commonly referred to as “SB9,” explicitly lists activity vehicles for extracurricular transportation as an allowable use of capital funds. For additional detail on SB9 allowable uses, see the LESC presentation from the 2024 interim: [Foundations for Learning: Public School Facility Authority Update](#).

Transportation Distribution. The PED transportation distribution, a recurring transportation operating formula-based allocation established in statute (Section 22-8-26 NMSA 1978), does not list the purchase of activity vehicles as an intended use, and is designed to cover the costs of providing daily to-and-from school transportation services, including fuel, driver wages, mileage, and maintenance.

Use of Excess Funds. Statute and New Mexico Administrative Code (NMAC) outline the flow and allowable uses of leftover funds from the transportation distribution. Section 22-8-26 NMSA 1978 stipulates 50 percent of excess funds are to be forwarded to PED and deposited into the [transportation emergency fund](#); at least 25 percent of any excess funds retained by the district- or state-chartered charter school must be spent on transportation services (excluding salaries and benefits), and up to 25 percent may be used for other transportation-related services.

According to PED administrative (see NMAC 6.43.3.7.C), other transportation related services are defined as “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.” PED’s transportation manual and regulations ([PED PSAB Supplement 19, Transportation](#)) also treat excess funds as operational, not capital, and they do not explicitly authorize the purchase of fleet or activity vehicles.

ADMINISTRATIVE IMPLICATIONS

HB261 would require the PED to promulgate rule and establish grant program guidelines, including eligibility criteria and a distribution methodology, to implement the bill’s provisions. This would create additional administrative responsibilities for PED related to rulemaking, program oversight, and grant administration.

RELATED BILLS

Relates to HB262, School Transport Emergency Fund Uses, which would add grants to small rural school districts for the purchase of buses for student activities to the allowable uses of transportation emergency fund proceeds.

SOURCES OF INFORMATION

- LESC Files
- Public School Facilities Authority (PSFA)
- Regional Education Cooperatives (RECs)

MAM/clh/mca/jkh