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

<b>Bill Number</b>	<u>HB262</u>	<b>Sponsor</b>	<u>Terrazas/Garratt/Baca/Ramos/Mirabal Moya</u>
<b>Tracking Number</b>	<u>.233371.2</u>	<b>Committee Referrals</b>	<u>HEC/HAFC</u>
<b>Short Title</b>	<u>School Transport Emergency Fund Uses</u>		
<b>Analyst</b>	<u>Montoya</u>	<b>Original Date</b>	<u>2/10/2026</u>
		<b>Last Updated</b>	<u></u>

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## BILL SUMMARY

### Synopsis of Bill

House Bill 262 (HB262) would amend the Public School Finance Act (Section 22-8-29 NMSA 1978) by making grants to small rural school districts for the purchase of buses for student activities an allowable use of the transportation emergency fund.

HB262 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

HB262 does not contain an appropriation.

## 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, HB262 could provide a potential solution. However, 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](#).

**Transportation Distribution.** The Public Education Department (PED) transportation distribution, a recurring transportation operating formula-based allocation established in statute (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. See the LESC report from the 2023 interim, [Study of the Public School Transportation Distribution](#).

**Use of Excess Funds.** Statute and New Mexico Administrative Code (NMAC) clearly 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 rule (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.

**Transportation Emergency Fund.** According to [the Public Education Department's 2024 Annual Audit](#), as of June 30, 2024, the transportation emergency fund had a balance of \$9.5 million. Section 22-8-29.6 NMSA 1978 currently outlines the allowable uses of the transportation emergency fund proceeds to include to address transportation emergencies, including fuel price increases. Statute states the secretary of PED must account for all transportation emergencies and report all corresponding distributions from the fund to the governor, LESC, and the Legislative Finance Committee. Unspent funds in the transportation emergency fund do not revert to the general fund.

It is unclear what criteria is used to determine what transportation circumstances are considered an emergency as a clear definition for this purpose is not defined in in statute nor New Mexico Administrative Code. According to PED’s [manual of procedures](#), a local school board may request an emergency allocation for transportation needs, subject to the availability of funds. The PED secretary, in consultation with the PED transportation director, must determine that an actual emergency or circumstance exists that may affect the district’s ability to continue providing safe and necessary transportation.

**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 public school capital outlay fund (PSCOF) to the 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](#).

## ADMINISTRATIVE IMPLICATIONS

HB262 would require the PED to promulgate rule and establish guidelines to provide for the additional allowable uses of the emergency transportation fund in accordance with the bill’s

provisions. This would create additional administrative responsibilities for PED related to rulemaking, program oversight, and fund distribution.

**RELATED BILLS**

Related to HB261, School Activity Buses, which would make an appropriation to PED from the general fund to support grants to small rural school districts for the purchase of buses for student activities.

**SOURCES OF INFORMATION**

- LESC Files
- Regional Education Cooperatives (RECs)

**MAM/clh/mca/jkh**