

# Public School Transportation Funding Formula



December 12, 2024

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## Summary

### **A recent change to the transportation funding formula provided more funds to districts that had reported past underfunding.**

State funding for public school student transportation reached a record high of \$133.8 million in FY25 despite continued enrollment and bus ridership declines. Funds for transportation are distributed to school districts and state-chartered charter schools by the Public Education Department (PED) through a statutorily defined funding formula that uses select site characteristics like miles driven by buses, number of riders, and number of buses. The formula assumes that districts spend these dollars on optimized student transportation systems, but the districts vary widely on measures of efficiency and the state has not adopted efficiency benchmarks to assess district transportation systems.

This formula has worked well for over 70 percent, or 78 of 108 districts, allocating enough to cover at least 90 percent of actual expenditures in FY23. However, three districts consistently spend significantly more on transportation than allotted, using state equalization guarantee (SEG) operational funds to cover the difference. Conversely, another 35 districts consistently receive more funding for transportation than they spend. In these cases, districts revert half of their excess to the transportation emergency fund, which has grown to over \$9 million. PED can then grant money from this fund to individual school districts with costs beyond their allocation. However, PED has only granted this funding in a few cases.

For FY25, the Legislature included language and an additional \$3.9 million in the state budget to change a variable in the formula, replacing a density variable with one that considers rurality. This change was related to findings in the *Martinez-Yazzie* lawsuit. The effects of this change increased the allocations by over 10 percent for the eight densest school districts in the state, including Rio Rancho, which in the past had consistently supplemented its transportation allocation with its own operational dollars. Although the Legislature added \$3.9 million to offset funding losses to rural districts, many medium-sized rural districts still saw funding decreases of over 10 percent partially because of the gains experienced by dense districts and the inclusion of new charter schools in the state placing additional demands on the state's total transportation funding.

Additionally, the Legislature required the transportation funding formula coefficients be held constant during the Covid-19 pandemic to prevent funding losses. When this hold was removed for FY24, nearly all districts saw funding increases. The culmination of both changes meant districts saw significant funding volatility in the span of two years.

The Legislature modified the transportation formula for FY25 in an effort to better align allocations with district needs. However, with every formula change, the proportion of total transportation funding each district receives

### **The Evaluation**

The 2011 program evaluation, *Public Education Department- School Bus Transportation Program*, found several recommendations from a 1993 report were not implemented, primarily regarding maintaining documentation of data and providing oversight at the district level.

Additionally, the evaluation explored issues arising from the complex formula used by PED to determine the distribution of state allocated funds. The formula was not fully documented by PED and often used poor quality data, potentially funding districts inequitably.

The transportation division has completed or made progress on three out of four, or 75 percent, of the recommendations made in the 2011 evaluation.

also changes. This funding volatility can, in turn, make planning and budgeting difficult for districts. As the FY25 changes to the formula have right-sized allocations for some districts, and the transportation emergency fund contains more funding than ever to offset any outstanding needs of districts, this progress report recommends that the Legislature and PED consider keeping the current methodology for the transportation formula consistent for the next funding year. The report also recommends that PED establish benchmarks and standards for an efficient and effective transportation system and consider using those benchmarks in future transportation funding determinations.

### **Key Recommendations:**

The Public Education Department should:

- Adopt and publicly publish efficiency benchmarks by FY26 to determine whether gaps between transportation funding and spending are due to funding deficiencies or operational inefficiencies;
- Consider how efficiency benchmarks could be incorporated into transportation allocations for FY27;
- Keep the transportation formula methodology stable through FY26 to reduce the likelihood of funding volatility in transportation funding;
- Leverage the unspent transportation emergency fund balances for districts that saw over 10 percent decreases in transportation funding between FY24 and FY25 *and* less funding in FY25 than they spent on transportation in FY23 for FY25 and FY26; and
- Publish district allocation calculation spreadsheets yearly on the Public Education Department website by the distribution of FY26 transportation funds so school districts can better understand the funding formula and changes in their transportation funding.

## Background

State funding for student transportation has increased over the past decade while bus ridership and miles driven have decreased. At the same time, fuel costs and salaries for transportation staff have increased. PED distributes transportation funds through a statutorily mandated statistical regression formula, which models districts' transportation costs as a function of several variables, such as student ridership, miles driven, and number of buses.<sup>1</sup> New Mexico's transportation formula is unique as few other states model transportation costs using a statistical regression methodology.

### **Funding for transportation increased 38 percent since FY18, while bus ridership decreased 24 percent.**

The state's appropriation to the school transportation formula increased by 38 percent (\$37 million) from \$97 million in FY18 to \$134 million in FY25.<sup>2</sup> State funding for school transportation includes funding for school bus maintenance and operations, fuel, rental fees, salaries, insurance, transportation for extended learning time programs, and transportation for K-5 Plus and K-12 Plus programs. Per NMSA 22-8-26, 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.

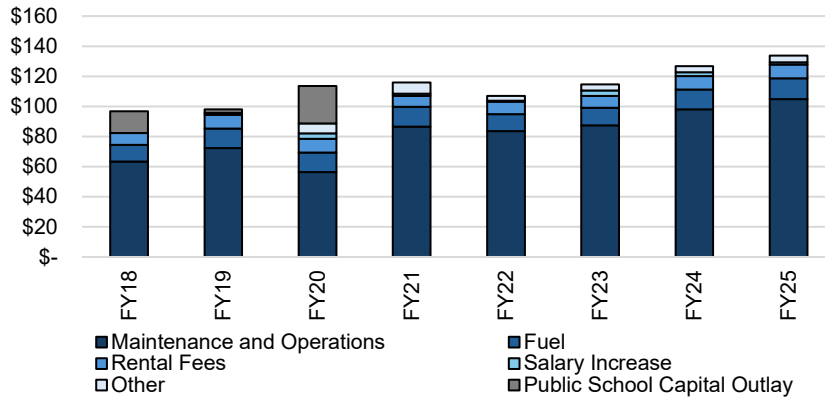
PED requested a \$137 million appropriation for transportation for FY26. PED's transportation division increased the appropriation amount by a Consumer Price Index average for the previous 12 months at 2.7 percent. They also consider fuel costs when determining an increase in funding, but did not utilize them for the FY26 request.

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<sup>1</sup> This progress report will use the term "districts" to collectively refer to school districts and charter schools.

<sup>2</sup> After accounting for inflation, at 25.6 percent between 2018 and 2024 according to the Consumer Price Index, this is a 10 percent increase over this period.

**Chart 1. Categorical Appropriation for Transportation by Category (in millions)**



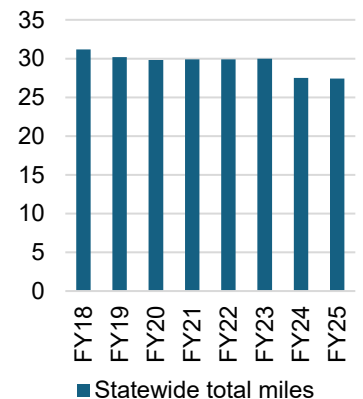
Note: Public School Capital Outlay Fund was used for transportation operations in FY18, FY19, and FY20.

Source: LFC Files

The state also appropriates capital outlay funding for bus replacement, bus camera installation, and charging stations for electric school buses. This capital outlay funding is separate from appropriations to PED for the school transportation formula (See Appendix B. for more details.)

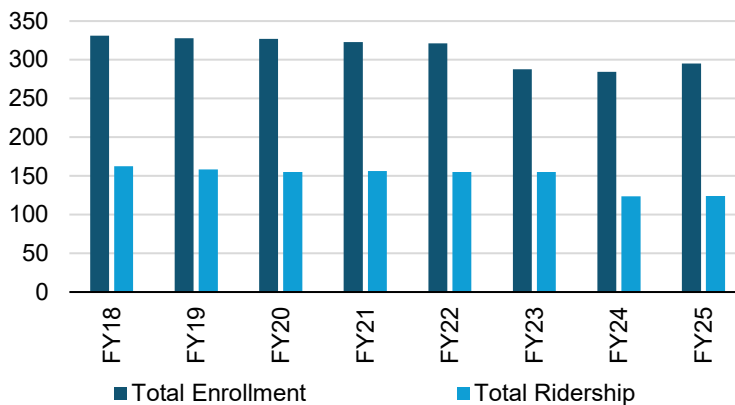
**School enrollment and bus ridership have decreased by 14 percent and 24 percent, respectively, from FY18-FY25; bus mileage declined 12 percent over the same time.** Total school enrollment has declined over the past seven years. Reported by school districts for FY25, enrollment in districts that receive transportation funding from the state is about 289 thousand students, a 14 percent decrease from FY18 when enrollment was roughly 330 thousand. Bus ridership also declined over the same period. Reported for FY25, nearly 123 thousand students, or 43 percent, rode the bus, a decrease of 24 percent from FY18 ridership levels.

**Chart 2. Total Miles Traveled from FY18-FY25 (in millions)**



Source: PED

**Chart 3. Enrollment and Ridership, FY18-FY25 (in thousands)**



Source: PED

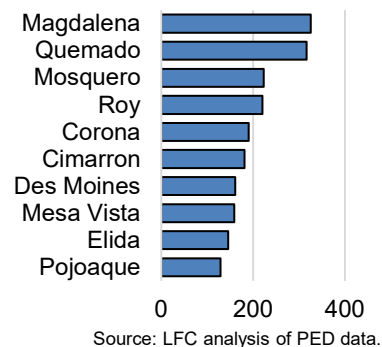
The decline in public school enrollment is primarily due to declining birth rates and out-migration exceeding in-migration while the birth rate dropped. This trend will likely continue and deepen with overall population peaking in 2035 and beginning to decline, driven by a shrinking population of school-age New Mexicans.

Total bus miles driven decreased by 12 percent, or 3.8 million miles, since FY18. This decrease in total bus miles driven corresponds with the decline in total enrollment and ridership. The relationship between riders and miles indicates school districts may be able to run fewer or shorter routes when there are fewer riders.

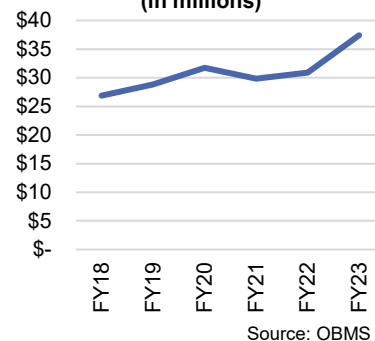
**School buses in New Mexico travel 76 miles per day on average, but this varies considerably across school districts with some buses travelling over 200 miles daily.** New Mexico is a geographically large state with a relatively small population, which means many rural school districts must transport students across long distances. In 2023, Magdalena School District buses drove an average of 326 miles per day, the longest driving distance in the state. According to Magdalena, the average school bus ride for students is 26 miles one way, and the longest distance any student has to travel is 70 miles one way. Conversely, school buses in the Lake Arthur School District drove the shortest average distance per day, averaging 28 miles per day. The state takes this variability in driving distances into account by including school bus miles driven in the transportation funding formula.

**As bus ridership and mileage have decreased, driver salaries and diesel fuel costs have increased 39 percent and 37 percent, respectively, between FY18 and FY23.** Employee compensation and fuel are two of the largest expenditure categories for school districts that own and operate their own student transportation. These expenses have increased across all school districts. Total expenditure on salaries alone was over \$37 million in FY23 (the most recent year full expenditure data is available). Additionally, expenditure on diesel fuel increased by 37 percent in the same period to over \$5.5 million.<sup>3</sup> Given the increase in these cost drivers, it is important for the total transportation appropriation to account for salary and fuel costs of school districts and public charter schools. These variables are not directly considered in the transportation funding formula, but PED and LFC consider these factors in determining the overall transportation appropriation recommendations each year.

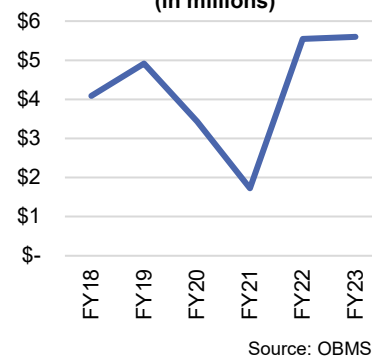
**Chart 4. School Districts With the Highest Average Daily Miles per Bus, 2023**  
(State Average - 76 Miles per Day)



**Chart 5. Expenditure on Salaries (in millions)**



**Chart 6. Expenditure on Diesel Fuel (in millions)**



<sup>3</sup> Operating Budget Management Systems (OBMS) data on driver salaries and diesel fuel expenditures do not include the spending in these categories by contractor-run student transportation systems.





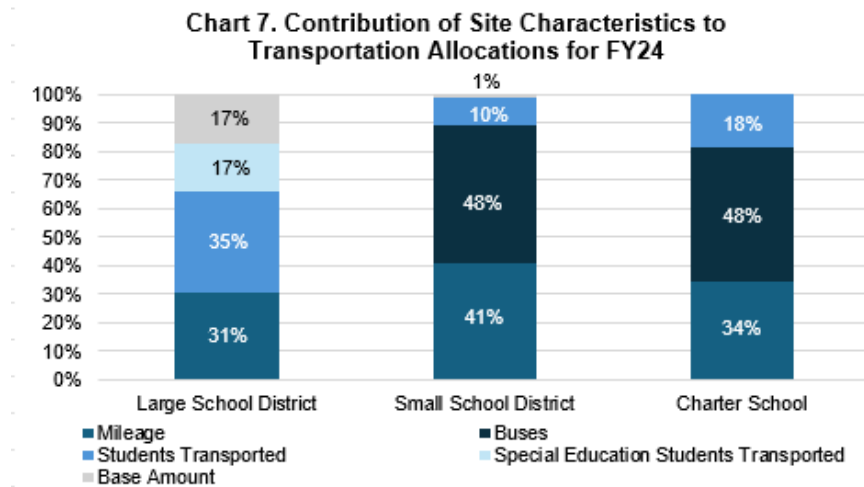
## The student transportation funding formula predicts districts’ relevant transportation costs using statistical regression analysis.

State law defines the regression formula for distributing the state transportation funding. The state Public School Finance Act includes provisions on the use of the transportation distribution and how PED should calculate and distribute transportation funds among school districts. The funding formula calculates each individual district’s transportation allocation based on a statistical regression analysis of district data multiplied by an adjustment factor. The intended purpose of the transportation formula is to reliably forecast future transportation funding needs based on past expenditure data.

***PED has the authority to change the input variables used in the funding formula and the department currently uses two separate formulas based on school district size.*** School districts with more than 1,000 students enrolled are considered large school districts. Funding is calculated with a base allocation and additional funding for the number of students transported, special education students transported, and bus miles traveled. Small districts, with fewer than 1,000 students also receive a base allocation but receive additional funding for the number of students transported, buses operated, and miles traveled. Finally, state-authorized charter schools receive transportation funds in the same way as small school districts but do not receive a base allocation amount.

### NMSA 22-8-29.1 Calculation of Transportation Allocation

“The department shall calculate the transportation allocation for each school district and state-chartered charter school... by regressing the total operations expenditures from the two years prior to the current school year for school district or state-chartered charter school operations using the numerical value of site characteristics approved by the department.”



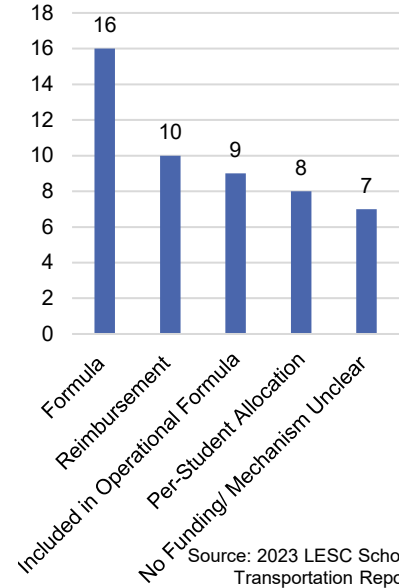
Source: LFC analysis of PED data

***Sixteen states use a funding formula for student transportation, but New Mexico is among three states that use a regression analysis.*** The site characteristics variables considered in New Mexico’s school transportation formula mirror the variables considered in other states, according to a 2023 Legislative Education Study Committee report. Among these factors, mileage is the most popular, considered in 14 other states’

funding systems. Other common factors include special education students, density, students transported, actual expenditures, and school buses.

New Mexico’s transportation funding formula is generally more complicated than other states. Only two other states use a regression model to predict the impact of site characteristics on actual expenditures—Washington and Tennessee. Other mechanisms for funding student transportation, besides transportation formulas, are reimbursement, funds included in the operational formula, and per-student allocations.

**Chart 8. Number of States with each Transportation Funding Mechanism**







## District Spending is Generally Close to Transportation Allocations

The school transportation formula forecasts districts’ future expenditures by analyzing prior year data using regression analyses. Over 70 percent of school districts have funding allocations that cover at least 90 percent of their actual transportation spending. However, allocations from the school transportation formula do not always match local transportation spending. Some districts use operational funds to supplement their transportation spending, while other districts revert unspent transportation funds back to the state. The amount of operational funding used to supplement transportation spending increased by 78 percent from FY18 to FY23 (latest actual spending data available).<sup>4</sup> This increase in operational funding used to supplement the transportation formula was mostly driven by a few districts, particularly the Rio Rancho.

### The formula consistently funds most school districts within 90 percent of their transportation expenditures.

Roughly seven in ten school districts (72 percent) had at least 90 percent of their transportation expenditures covered by the school transportation formula in FY23. Sixty districts (55 percent) received transportation funding that covered between 90 percent to 100 percent of their total pupil transportation costs in FY23. Eighteen districts received excess funding, with two districts at over 140 percent, and eleven districts received funding that was less than 70 percent (significantly low) of their transportation spending. That most school districts receive funding that covers at least 90 percent of expenditures holds true over time, however the number of districts with significantly low funding to spending ratios increased in FY23, from only seven in FY22 to eighteen in FY23, indicating increased spending not predicted by the formula for FY23.

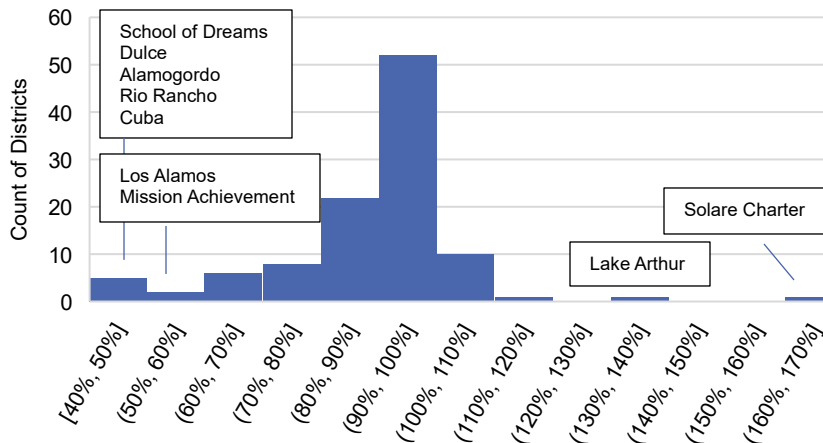
**Table 1. Districts with 90 Percent or More of their Transportation Expenditures Covered by the Distribution**

Year	Number of Districts	Percent of Districts
FY18	88	85%
FY19	81	80%
FY20	91	90%
FY21	96	92%
FY22	80	78%
FY23	78	72%

Source: LFC analysis of PED data

<sup>4</sup> After accounting for inflation, at 19.4 percent between 2018 and 2023 according to the Consumer Price Index, this is a 49.2 percent increase over this period.

**Chart 9. Percent of Transportation Expenditure Covered by the Distribution for FY23**

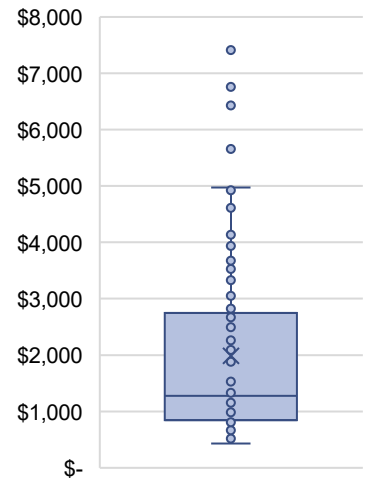


Source: LFC analysis of PED data

**The formula assumes that districts spend these dollars on optimized student transportation systems, but districts vary on cost efficiency measures such as cost per rider and cost per mile.** Though the average expenditure per rider in FY23 across all districts was about \$2,000, this ranged from less than \$500 in Portales to over \$7,000 in Quemado. Though less varied than per rider spending, the average per mile spending was about \$5 and ranged from \$2 in Gallup to \$16 at Mission Achievement and Success Charter School. Looking at charter schools separately, they had a similar average per rider and per mile spending; at about \$2,000 and \$7 respectively. The five districts identified in Chart 9, which expended the largest proportion of funds beyond their transportation allocation (School of Dreams Academy, Dulce, Alamogordo, Rio Rancho, and Cuba), also had above-average expenditures either per mile or per rider, indicating likely inefficiencies compared to other districts in the state.

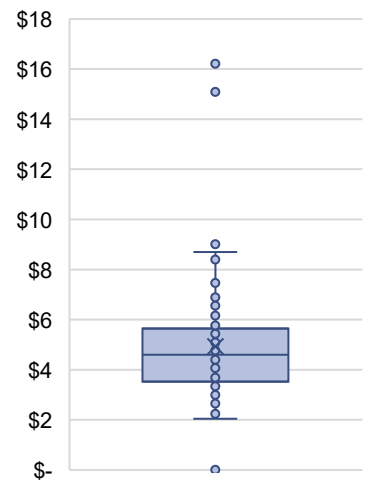
**The state does not have or use official benchmarks to assess the efficiency of school transportation systems.** PED has the authority to conduct efficiency audits, however, the department does not have documented benchmarks or guidelines for these analyses. The transportation division reported conducting an evaluation of Rio Rancho Public Schools after their request for more school buses in May 2023, but they did not provide Rio Rancho or LFC staff with documentation of their findings or recommendations. PED should have benchmarks for efficient and sufficient student transportation. Without these benchmarks, the cause of diverging funding and spending is not always evident.

**Chart 10. Per Rider Spending for FY23**



Source: LFC analysis of PED data

**Chart 11. Per Mile Spending for FY23**



Source: LFC analysis of PED data

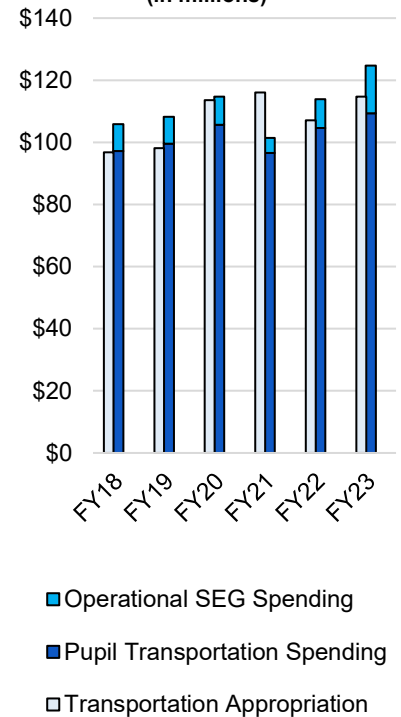


**Districts spending more than they receive from the transportation formula use state equalization guarantee (SEG) funds to make up the difference.**

Typically, about ten to twenty school districts, or about 10 to 20 percent, spend more on student transportation than the transportation formula allocation each year. These school districts use operational funds, separately allocated from the state equalization guarantee (SEG) funding formula, to supplement their transportation allocations. Statewide spending on student transportation from operational dollars increased 78 percent from FY18 to FY23, ranging from \$4.9 million to \$15.3 million across this time period. For FY23, the most recent year with detailed expenditure data, Rio Rancho Public Schools alone spent over \$3 million in operational funds on student transportation in addition to their \$3 million pupil transportation allocation.

**Of the \$15.5 million in operational spending on transportation in FY23, 56 percent came from only five school districts: Rio Rancho, Las Cruces, Gadsden, Los Lunas, and Alamogordo.** Rio Rancho spent \$3 million in operational funds on student transportation in FY23. The other four districts, in this group, each spent over \$1 million. Though these five large districts spent the most in SEG for transportation in FY23, many other districts spent large proportions of their total transportation spending with operational dollars. Fifteen school districts, eight large and seven small, paid for more than 20 percent of their total transportation expenditures from operational funds in FY23. Some notable small districts are Dulce Independent Schools and Cuba Independent Schools, which cover 51 percent and 45 percent of their transportation expenditures from SEG, respectively.

**Chart 12. Statewide Student Transportation Allocations and Expenditures from FY18 to FY23 (in millions)**



Source: LFC analysis of PED data.

**Table 2. Student Transportation Spending by Fund for the Five Largest SEG Spenders in FY23**

School District	Pupil Transportation Fund Expenditures <sup>5</sup>	Operational Fund Expenditures	SEG Percent of Total
Rio Rancho	\$2,943,358	\$3,009,117	51%
Las Cruces	\$7,254,512	\$1,986,303	21%
Gadsden	\$5,860,023	\$1,275,714	18%
Los Lunas	\$2,652,801	\$1,239,981	32%
Alamogordo	\$1,177,855	\$1,053,609	47%

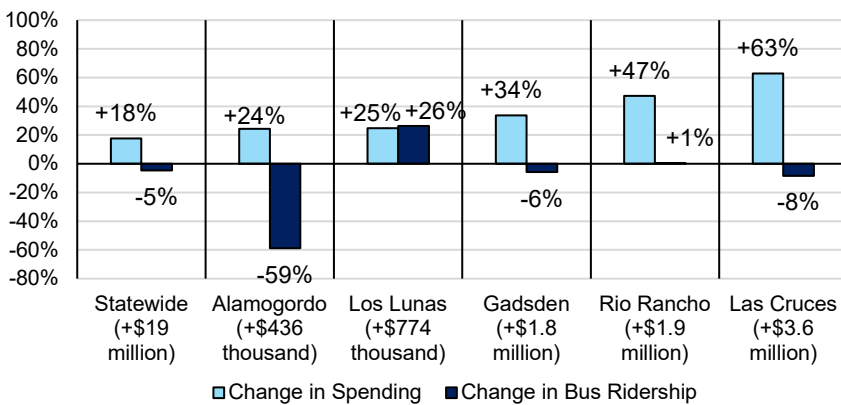
Source: LFC analysis of PED data

<sup>5</sup> The pupil transportation funds refers only to dollars allocated to school districts by the school transportation funding formula.



**School districts spending the most operational dollars on transportation grew their transportation spending by more than the statewide average.** The five school districts that spent over \$1 million of operational dollars on school transportation systems in FY23 grew their overall school transportation spending by more than the average state growth from FY18 to FY23. Statewide spending on school transportation grew by 18 percent (or roughly \$19 million) from \$105 million in FY18 to \$124 million in FY23. The school districts spending the most operational dollars on transportation all grew their school transportation spending at a faster rate than the statewide average, ranging from 24 percent growth in Alamogordo to 63 percent growth in Las Cruces.

**Chart 13. Change in Total Spending on Student Transportation and Bus Ridership from FY18 to FY23**



Source: LFC analysis of PED data.

**Three school districts received funding at less than 80 percent of transportation expenditures for four of the last six years—Rio Rancho, Las Cruces, and Los Alamos.** Several districts fluctuate in and out of supplementing transportation expenditures with operational funds. However, three districts consistently supplement 20 percent or more of total student transportation expenditures with SEG. Rio Rancho Public Schools, Las Cruces Public Schools, and Los Alamos Public Schools are notably all large school districts but vary on ridership, mileage, and density. Despite their different contexts, they all received funding for less than 80 percent of transportation expenditures for four of the last six years.

**Table 3. Percent of Transportation Expenditures Covered by the Distribution for Select Districts**

District	FY18	FY19	FY20	FY21	FY22	FY23
Rio Rancho	79%	70%	80%	75%	64%	54%
Las Cruces	70%	69%	71%	75%	84%	79%
Los Alamos	71%	75%	83%	99%	69%	60%

Source: LFC analysis of PED data

## Recommendations

The Public Education Department should:

- Adopt and publicly publish efficiency benchmarks by FY26 to determine whether gaps between transportation funding and spending are due to funding deficiencies or operational inefficiencies; and
- Consider how efficiency benchmarks could be incorporated into transportation allocations for FY27.

# Transportation Formula Modifications Create Funding Volatility

Before FY25, density was a site characteristic used in calculating the transportation allocation for large school districts. The density factor reduced the district's final allocation proportional to the number of bus riders per total area. Therefore, the densest school districts saw the greatest reductions. The inclusion of this variable assumed dense school districts, such as Rio Rancho and Albuquerque, could travel fewer miles to transport a greater number of students, reducing the overall cost of student transportation. In FY25 at the behest of the Legislature, PED replaced density with a site characteristic that considered a school district's degree of geographic rurality. After PED removed density, the densest districts saw a funding increase while some rural districts saw a funding decrease. The growth of the transportation emergency fund to over \$9 million provides an opportunity to distribute funds to districts that received funding decreases due to recent formula changes while holding the formula constant to promote funding stability.

**Table 4. Rio Rancho Public Schools' Density Adjustment**

Year	Density Adjustment
FY18	\$ (447,601.52)
FY19	\$ (860,265.15)
FY20	\$ (534,268.17)
FY21	\$ (1,280,164.03)
FY22	\$ (1,280,164.03)
FY23	\$ (1,280,164.03)
FY24	\$ (974,188.64)

Source: PED

**After the state removed density from the formula, the change created funding volatility – the densest districts saw increases while some more rural districts saw decreases.**

The transportation formula had a density factor until FY25, which reduced funding for districts with dense populations, like Rio Rancho. Prior to FY25, for school districts with more than 1,000 students, as the density of the district increased, the transportation expenditure decreased, on average. Rio Rancho Public Schools is the densest school district in the state, with about 47 bus riders per square mile in FY24. This is almost double the density of the next densest school district, Albuquerque Public Schools at about 25 riders per square mile. Because of their density, Rio Rancho's allocation was reduced by \$974 thousand in FY24.

**Table 5. Geographic Rurality Adjustment for Small School Districts and Charter Schools**

Locale Group	Locale	Adjustment
Rural (1)	Rural (4)	\$78,944
Rural (1)	Town (3)	\$59,208
Non-Rural (0)	Suburban (2)	\$39,472
Non-Rural (0)	City (1)	\$19,736

Source: PED

**In 2024, the state removed the density factor from the transportation formula and added a rurality factor.** Language in the 2024 General Appropriation Act tasked PED to remove the density factor, providing \$3.9 million to the transportation distribution conditional on relacing density with a rurality factor. This additional funding was intended to offset funding loses when allocations increased to dense districts with the removal of the density factor. The rurality factor used in the FY25 transportation distribution applied to all school districts. It categorizes school districts as either rural or non-rural, then further distinguishes them by rural, town, suburban or city as determined by the most recent (2021) publicly available data from the Institute for Education Sciences National Center for

**Table 6. Geographic Rurality Adjustments for Large School Districts**

Locale Group	Locale	Adjustment
Rural (1)	Rural (4)	\$(16,045)
Rural (1)	Town (3)	\$(12,034)
Non-Rural (0)	Suburban (2)	\$(8,022)
Non-Rural (0)	City (1)	\$(4,011)

Source: PED

Educational Statistics (NCES). Similar to density, the variable adjusts the allocation by multiplying the rural coefficient from the regression to the locale category, coded one for city, two for suburban, three for town, and four for rural.

**After the state removed the density factor, funding for the densest districts increased and many less dense districts experienced funding decreases.** In Rio Rancho specifically, the removal of the density factor and inclusion of a rurality factor increased their allocation to \$7.1 million, a 49 percent increase from FY24. This is due to the new rurality factor only reducing Rio Rancho’s allocation \$8 thousand compared to the \$974 thousand reduction in FY24 with density. In interviews with LFC staff, Rio Rancho transportation personnel report not anticipating a large deficit in transportation funding for the first time in eight years because of this change. As some preliminary evidence, the \$7.1 million allocation is 95 percent of spending on transportation in FY24.

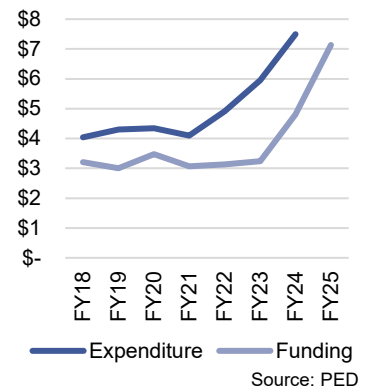
Rio Rancho’s \$2.3 million increase in FY25 is almost 60 percent of the \$3.9 million included to offset the funding losses due to removing density from the equation. Additionally, three new charter schools got transportation funding in FY25, totaling around \$900 thousand unaccounted for in the transportation appropriation. New funding for these new charter schools and the significant increases to other districts after the variable change are partially why the additional funding did not prevent volatility to other districts.

Other dense districts also saw increases after the removal of the density factory. The densest school districts in the state made up eight of the 12 large districts that received an increase of over 10 percent in FY25. Eight small districts and 10 charter schools also increased by over 10 percent (See Appendix C. for more details.)

Twenty-seven school districts saw over 10 percent decreases in transportation allocations between FY24 and FY25: fourteen large districts, twelve small, and one charter school. The most significant decrease was for Roswell Independent Schools, with a 39. Notably, medium sized rural school districts saw decreases because the regression produced a negative coefficient for rurality in the large district calculation. Compared to large city districts, large rural districts spend less on transportation on average, which caused larger reductions to the large rural districts than the large non-rural districts (see Table 6). Therefore, while rural small districts got the largest increases, rural large districts got the largest reductions.

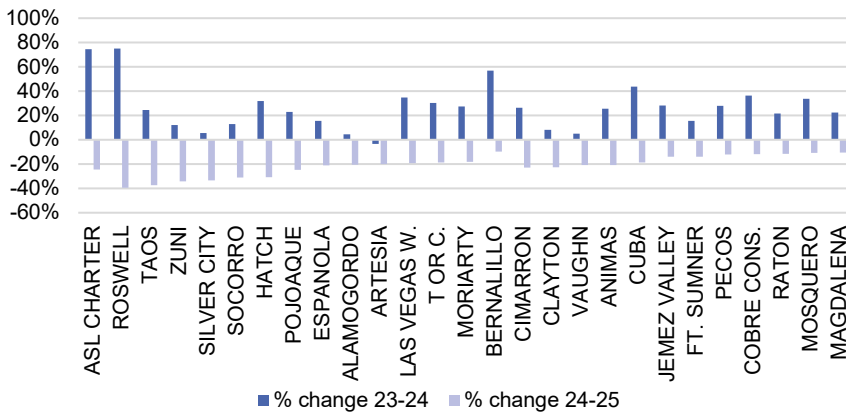
Furthermore, most of these same school districts had significant increases to their FY24 allocations from the prior year. Before Roswell’s 39 percent decrease from FY24 to FY25, the district received a 75 percent increase from FY23 to FY24. Though the most extreme example, this kind of significant volatility was not uncommon in these recent funding years.

**Chart 14. Rio Rancho Transportation Funding and Spending FY18-25 (in millions)**



**During the Covid-19 pandemic, the Legislature held the transportation regression constant to hold districts' funding harmless despite decreased ridership.** In 2021 and 2022, the Legislature and Governor passed House Bill 311 and House Bill 57, respectively, that required PED to calculate transportation funding using expenditures from 2019, holding the regression coefficients constant for FY21, FY22, and FY23. When this ended in FY24, all but 12 school districts and charter schools saw funding increases, and 86 percent of them saw increases over 10 percent of their FY23 funding. Both the effect of the pandemic changes and the switch to rurality indicate that funding volatility is not always linked to changes in district site characteristics, rather, it's the states altering of the formula. These changes to the formula, planned or not, can cause unpredicted fluctuations to district's allocation.

**Chart 15. Percent Change in Transportation Allocations between FY23 and FY25**  
(for districts with over 10 percent decreases in FY25)

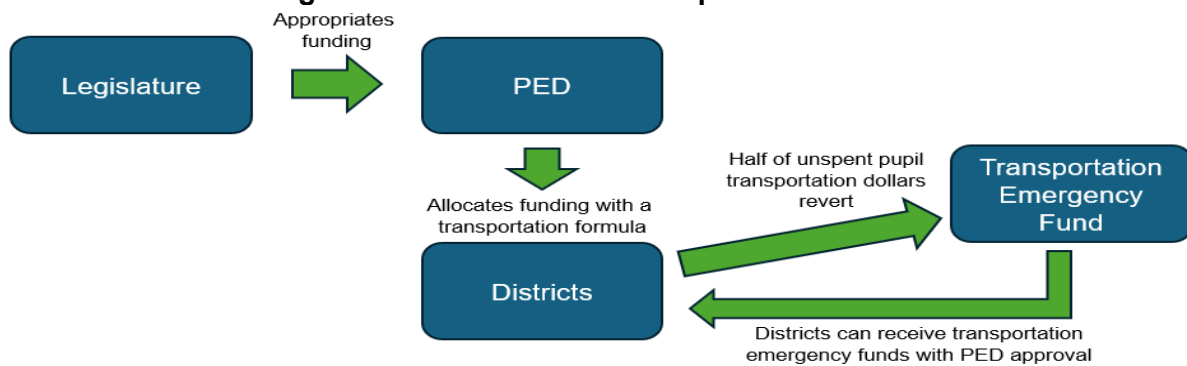


Source: LFC analysis of PED data

## The transportation emergency fund has grown to over \$9 million and could provide gap funding to districts.

School districts and charter schools that do not spend all their allocations for transportation revert half of the remainder to the state’s transportation emergency fund. The total reverted amount fluctuates year by year but is typically around \$1 million. Because transportation allocations were held harmless during Covid-19, and districts had fewer transportation costs, reversions in FY21 jumped to over \$7 million. This increased the total fund balance to over \$9 million, though only \$3.6 million has been spent from the fund since FY18. The transportation emergency fund could be utilized to offset losses for districts that saw significantly reduced funding after the formula change in FY25.

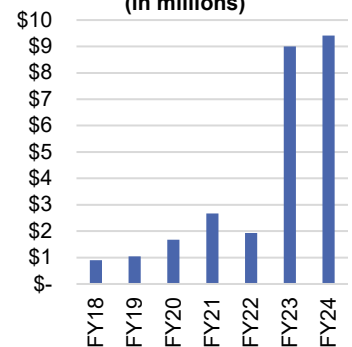
**Figure 4. Flow of School Transportation Dollars**



Source: LFC

**District reversions to the transportation emergency fund increased the fund balance to over \$9 million at the end of FY24, a 651 percent increase from FY15.** Each year 50 percent of unspent transportation funds allocated to a school district is reverted to the state transportation emergency fund and districts keep the other half for future transportation expenses.<sup>6</sup> Funds can be appropriated from the transportation emergency fund by PED for “the purpose of funding transportation emergencies, including fuel price increases” (Section 22-8-29.6 NMSA 1978). For FY24, the transportation emergency fund had a balance of \$9.4 million, a 651 percent increase over a 10 year period.

**Chart 16. Transportation Emergency Fund Balance (in millions)**



Source: LFC Files

<sup>6</sup> In FY16-FY18, charter schools were required to revert 100 percent of their unspent funds to the transportation emergency fund.

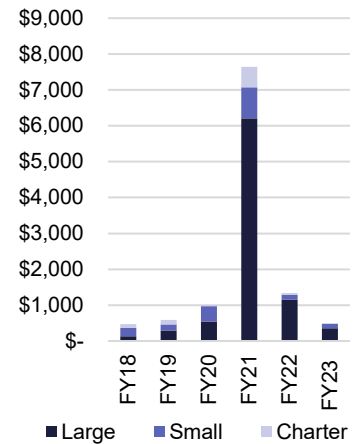
While the emergency fund grew significantly after the pandemic, this increase was an outlier, and the amount flowing into the fund is not stable. Total yearly reversions to the fund have fluctuated, going from \$467 thousand in FY18, spiking to over \$7.6 million in FY21, and then going back down to a \$488 thousand total reversions in FY23. The Legislative Education Study Committee’s analysis of transportation reversions dating back to FY14 reveals a similar ebb and flow, but the peak in FY21 is an outlier because of reduced student transportation during the Covid-19 pandemic. Reversion from any one district over the past six years ranged from less than \$1 to over \$4.2 million, but the median annual reversion was a little over \$8 thousand.

Thirty-five districts reverted transportation funds at least four out of the past six years; 21 were small districts (40 percent of total small districts), thirteen were large districts (36 percent of total large districts), and one was a charter school (5 percent of total charter schools). Of these, six reverted funds all six years; Cloudcroft, Des Moines, Questa, Raton, Farmington, and Zuni. While small school districts are reverting funds slightly more often and more consistently than large districts, the money that large districts revert makes up a higher portion of the total funds reverted for each year studied, with the exception of FY18.

***PED only allocated \$3.6 million from the transportation emergency fund since FY18, while districts collectively spent \$55.9 million in operational funds on transportation since FY18, suggesting the transportation emergency fund is not used for operational shortfalls.***

From FY18 through FY23, PED allocated \$3.6 million to school districts from the transportation emergency fund. Most of these allocations occurred in FY22 when PED allocated \$2.6 million to districts in response to fuel cost increases, and the allocations from FY18 and FY19 went to five different districts to purchase new school buses. Over the same six-year timeframe, school districts spent \$55.9 million in operational dollars to supplement their transportation budgets. PED has indicated more districts than before have requested emergency funding after the FY25 formula change; Socorro, Cuba, Silver City, and Mosquero school districts all sent requests with supporting documentation due to decreased funding for FY25, but emergency fund awards have not yet been determined. As PED develops benchmarks to inform future transportation allocations, districts that saw a more than 10 percent decrease in their transportation funds in FY25 and ended up with less transportation funds than they spent in FY23 should seek funds from the transportation emergency fund.

**Chart 17. Total Transportation Fund Reversions by District Type (in thousands)**

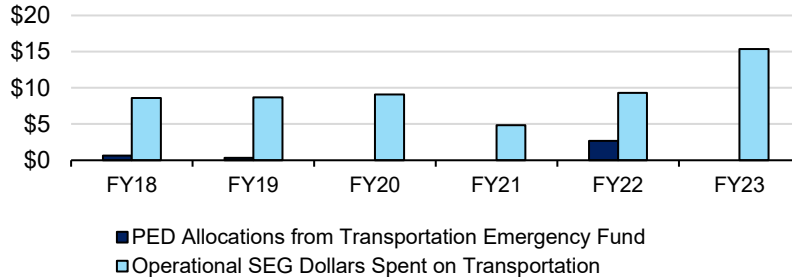


Source: LFC analysis of PED data

**It would cost \$4.5 million to bring districts who recent lost more than 10 percent of funding to FY23 spending levels.**

Twenty-seven districts received a 10 percent decrease in transportation funding in FY25 than FY24. Of those, 21 districts received less in FY25 than they spent in FY23. Increasing their FY25 transportation revenue to their FY23 spending would cost \$4.5 million.

**Chart 18. PED Allocations from Transportation Emergency Fund Compared to Public School Operational Dollars Spent on Transportation, FY18-FY23**  
(in millions)



Source: LFC analysis of PED data.

## Recommendation

The Public Education Department should:

- Keep the transportation formula methodology stable through FY26 to reduce the likelihood of funding volatility in transportation funding;
- Leverage the unspent transportation emergency fund balances for districts that saw over 10 percent decreases in transportation funding between FY24 and FY25 *and* less funding in FY25 than they spent on transportation in FY23 for FY25 and FY26; and
- Publish district allocation calculation spreadsheets yearly on the PED website by the distribution of FY26 transportation funds so school districts can better understand the funding formula and changes in their transportation funding.



# Appendix A. Progress on Past Recommendations

## Finding

The funding formula is overly complex with limited oversight, resulting in questionable distributions of transportation dollars.

Recommendation	Status	Comments
The PED should fully document the funding formula and how to administer it, document adjustments to reported data and have at least senior management validate the transportation director's allocation of funding.	Complete	PED reports that multiple staff run the transportation funding formula and compare results to ensure data accuracy.
PED should reassess staffing levels, expertise needed, information needed, and tasks necessary for transportation staff to perform their duties.	Progressing	PED reports that staff training has improved since 2011.
PED should document policies and procedures and validate financial information used to set school bus rental fees.	Complete	PED has a standard methodology in place for setting school bus rental fees.
PED should perform a full cost-benefit analysis of Zonar contracts and report results to the LFC.	No Action	PED reports that such a cost-benefit analysis was not conducted because funding was not allocated for that purpose at the time.

## Appendix B. Capital Outlay for School Transportation

In 2024, the state appropriated \$31.2 million in capital outlay for school transportation projects: \$29.2 million for school bus replacements, \$1.5 million for alternative school bus fueling and charging stations, and \$547.5 thousand for school bus cameras. PED's Infrastructure Capital Improvement Plan for FY24-FY28 for these three projects requests \$76.9 million total over this period, 97 percent of which for bus replacements.

**Table 7. Capital Outlay Funding for School Transportation Projects from FY18-FY25**

Year	Bus Replacements	Cameras	Charging Stations	Total
2018	\$8,000,000	-	-	\$8,000,000
2019	\$32,895,000	-	-	\$32,895,000
2020	\$8,989,000	\$252,400	-	\$9,241,400
2021	\$6,984,000	\$180,000	-	\$7,164,000
2022	\$5,194,000	\$1,325,000	\$200,000	\$6,719,000
2023	\$15,700,000	\$315,000	-	\$16,015,000
2024	\$29,166,640	\$547,500	\$1,500,000	\$31,214,140

Source: LFC Files

# Appendix C. Districts with Over 10 Percent Transportation Funding Increases between FY24 and FY25

**Table 8. Percent Change in Transportation Allocations between FY24 and FY25  
(for districts with over 10 percent increases)**

District Type	District Name	% Change FY24- FY25
Charter	ABQ Bilingual Academy	15%
Charter	Explore Academy- Las Cruces	26%
Charter	S.W. Secondary	27%
Charter	Altura	27%
Charter	South Valley Prep	33%
Charter	Solare	36%
Charter	S.W. AM&SA	47%
Charter	Sandoval Bilingual	49%
Charter	Explore Academy	98%
Charter	Mission Achievement	110%
Large	Deming	14%
Large	Carlsbad	14%
Large	Los Lunas	15%
Large	Gallup	18%
Large	Farmington	18%
Large	Ruidoso	18%
Large	Los Alamos	19%
Large	Albuquerque	20%
Large	Hobbs	20%
Large	Clovis	21%
Large	Santa Fe	25%
Large	Rio Rancho	48%
Small	San Jon	13%
Small	Springer	17%
Small	Jal	18%
Small	Loving	24%
Small	Penasco	27%
Small	Carrizozo	28%
Small	Maxwell	47%
Small	Lake Arthur	66%

Source: LFC analysis of PED data

## Appendix D. Recent Transportation Funding and Spending for All Districts

**Table 9. Pupil Transportation Funding and Spending for All Districts between FY22-FY25**  
 (in thousands)

District	FY22 Revenue	FY22 Spending	FY23 Revenue	FY23 Spending	FY24 Revenue	FY25 Revenue
21st CENTURY CHARTER SCHOOL	\$128	\$128	\$119	\$131	\$184	\$171
ACES TECHNICAL CHARTER SCHOOL			\$89	\$129	\$243	\$238
ALBUQUERQUE AVIATION ACADEMY						\$314
ALAMOGORDO	\$1,098	\$1,226	\$946	\$2,231	\$1,210	\$963
ALBUQUERQUE	\$20,547	\$19,613	\$21,425	\$21,519	\$20,533	\$24,455
ALBUQUERQUE BILINGUAL ACADEMY			\$100	\$100	\$108	\$124
ALBUQUERQUE SIGN LANGUAGE CHARTER SCHOOL	\$406	\$422	\$378	\$439	\$630	\$379
ALTURA CHARTER	\$62	\$62	\$58	\$65	\$81	\$98
ANIMAS	\$363	\$366	\$348	\$575	\$455	\$317
ARTESIA	\$1,456	\$1,457	\$1,363	\$1,496	\$1,451	\$1,088
AZTEC	\$1,052	\$1,205	\$1,000	\$1,283	\$1,270	\$1,151
BELEN	\$1,600	\$1,807	\$1,519	\$1,916	\$1,571	\$1,678
BERNALILLO	\$933	\$1,113	\$789	\$1,395	\$1,512	\$1,365
BLOOMFIELD	\$1,097	\$1,103	\$1,012	\$1,151	\$1,300	\$1,231
CAPITAN	\$318	\$323	\$303	\$341	\$410	\$414
CARLSBAD	\$2,028	\$2,028	\$1,855	\$2,041	\$2,489	\$2,776
CARRIZOZO	\$111	\$112	\$105	\$120	\$114	\$171
CENTRAL CONS.	\$1,992	\$2,635	\$1,866	\$2,992	\$2,455	\$2,479
CHAMA	\$300	\$315	\$321	\$341	\$382	\$389
CIMARRON	\$415	\$427	\$389	\$428	\$540	\$417
CLAYTON	\$555	\$558	\$528	\$517	\$626	\$488
CLOUDCROFT	\$203	\$211	\$192	\$241	\$263	\$239
CLOVIS	\$1,830	\$1,842	\$1,881	\$1,887	\$1,962	\$2,311
COBRE CONS.	\$649	\$668	\$628	\$654	\$821	\$711
CORONA	\$296	\$295	\$250	\$251	\$349	\$319

District	FY22 Revenue	FY22 Spending	FY23 Revenue	FY23 Spending	FY24 Revenue	FY25 Revenue
COTTONWOOD CLASSICAL CHARTER					\$381	\$306
CUBA	\$732	\$835	\$690	\$1,383	\$1,091	\$889
DEMING	\$2,403	\$2,765	\$2,219	\$2,941	\$2,784	\$2,829
DES MOINES	\$230	\$230	\$216	\$242	\$331	\$313
DEXTER	\$430	\$537	\$408	\$570	\$640	\$617
DORA	\$258	\$272	\$244	\$279	\$297	\$281
DULCE	\$187	\$236	\$177	\$390	\$263	\$280
ELIDA	\$213	\$213	\$199	\$219	\$306	\$276
ESPANOLA	\$1,283	\$1,522	\$1,296	\$1,692	\$1,491	\$1,197
ESTANCIA	\$330	\$366	\$313	\$405	\$455	\$416
EUNICE	\$223	\$192	\$213	\$239	\$279	\$257
EXPLORE ACADEMY CHARTER	\$541	\$546	\$499	\$791	\$525	\$974
EXPLORE ACADEMY CHARTER - LAS CRUCES			\$135	\$127	\$246	\$295
EXPLORE ACADEMY CHARTER - RIO RANCHO						\$195
FARMINGTON	\$3,503	\$3,494	\$3,312	\$3,619	\$4,519	\$5,341
FLOYD	\$137	\$138	\$131	\$144	\$168	\$177
FT. SUMNER	\$418	\$420	\$383	\$421	\$487	\$420
GADSDEN	\$5,743	\$7,002	\$5,327	\$7,136	\$6,065	\$6,204
GALLUP	\$6,100	\$6,138	\$5,681	\$6,394	\$7,235	\$8,544
GRADY	\$229	\$229	\$132	\$201	\$254	\$257
GRANTS	\$1,068	\$1,131	\$1,006	\$1,270	\$1,333	\$1,211
HAGERMAN	\$299	\$304	\$247	\$277	\$313	\$294
HATCH	\$771	\$848	\$738	\$850	\$1,071	\$742
HOBBS	\$2,736	\$3,093	\$2,604	\$2,917	\$3,113	\$3,643
HONDO	\$199	\$191	\$190	\$183	\$264	\$266
HOUSE	\$222	\$222	\$195	\$215	\$240	\$219
HOZHO CHARTER						\$545
JAL	\$120	\$165	\$115	\$178	\$113	\$134
JEMEZ MOUNTAIN	\$426	\$369	\$413	\$388	\$414	\$448
JEMEZ VALLEY	\$253	\$247	\$268	\$271	\$343	\$295
LA TIERRA MONTESSORI CHARTER	\$43	\$44	\$45	\$44	\$63	
LAKE ARTHUR	\$62	\$57	\$59	\$46	\$57	\$95
LAS CRUCES	\$7,056	\$8,377	\$6,574	\$9,241	\$7,631	\$7,436

Public School Transportation Funding Formula



District	FY22 Revenue	FY22 Spending	FY23 Revenue	FY23 Spending	FY24 Revenue	FY25 Revenue
LAS VEGAS EAST	\$785	\$868	\$742	\$922	\$1,012	\$917
LAS VEGAS WEST	\$758	\$838	\$721	\$879	\$1,030	\$836
LOGAN	\$202	\$376	\$191	\$251	\$286	\$310
LORDSBURG	\$341	\$399	\$267	\$344	\$368	\$363
LOS ALAMOS	\$649	\$944	\$617	\$1,134	\$899	\$1,066
LOS LUNAS	\$2,810	\$3,108	\$2,653	\$3,893	\$3,215	\$3,686
LOVING	\$109	\$109	\$115	\$133	\$109	\$135
LOVINGTON	\$1,136	\$1,156	\$1,087	\$1,250	\$1,265	\$1,377
MAGDALENA	\$290	\$300	\$277	\$352	\$373	\$334
MAXWELL	\$67	\$68	\$65	\$71	\$65	\$95
MELROSE	\$269	\$269	\$239	\$278	\$333	\$297
MESA VISTA	\$317	\$376	\$301	\$420	\$420	\$429
MISSION ACHIEVEMENT & SUCCESS CHARTER	\$286	\$370	\$256	\$636	\$449	\$681
MONTE DEL SOL CHARTER	\$251	\$259	\$236	\$266	\$371	\$380
MORA	\$468	\$455	\$444	\$488	\$556	\$546
MORIARTY	\$1,158	\$1,303	\$1,083	\$1,245	\$1,519	\$1,242
MOSQUERO	\$183	\$183	\$172	\$191	\$243	\$220
MOUNTAINAIR	\$242	\$246	\$227	\$256	\$291	\$257
PECOS	\$324	\$364	\$310	\$387	\$436	\$383
PENASCO	\$235	\$232	\$226	\$242	\$170	\$216
POJOAQUE	\$994	\$1,099	\$924	\$1,129	\$1,082	\$816
PORTALES	\$983	\$983	\$859	\$873	\$1,178	\$1,275
QUEMADO	\$480	\$481	\$447	\$511	\$748	\$725
QUESTA	\$271	\$271	\$257	\$280	\$308	\$301
RATON	\$346	\$348	\$333	\$375	\$445	\$393
RED RIVER CHARTER	\$41	\$40	\$39	\$46	\$58	\$146
RESERVE	\$202	\$173	\$193	\$197	\$234	\$232
RIO GRANDE CHARTER					\$54	\$164
RIO RANCHO	\$3,130	\$4,916	\$2,943	\$5,952	\$4,809	\$7,134
ROSWELL	\$2,968	\$3,017	\$2,589	\$2,906	\$4,541	\$2,865
ROY	\$111	\$120	\$54	\$141	\$187	\$189
RUIDOSO	\$972	\$1,010	\$875	\$1,028	\$1,236	\$1,387
S.W. AM&SA CHARTER	\$138	\$159	\$200	\$233	\$234	
S.W. SECONDARY CHARTER	\$67	\$68	\$63	\$69	\$60	\$76
SAN DIEGO RIVERSIDE CHARTER						\$155
SAN JON	\$123	\$123	\$115	\$119	\$156	\$177

Public School Transportation Funding Formula



District	FY22 Revenue	FY22 Spending	FY23 Revenue	FY23 Spending	FY24 Revenue	FY25 Revenue
SANDOVAL ACADEMY OF BILINGUAL EDUCATION CHARTER			\$35	\$38	\$74	\$111
SANTA FE	\$3,832	\$3,774	\$3,661	\$4,212	\$3,432	\$4,276
SANTA ROSA	\$439	\$466	\$462	\$495	\$491	\$464
SCHOOL OF DREAMS ACADEMY CHARTER	\$177	\$173	\$165	\$437	\$329	\$303
SILVER CITY	\$1,066	\$1,067	\$1,004	\$1,100	\$1,139	\$737
SOCORRO	\$684	\$685	\$656	\$724	\$816	\$562
SOLARE CHARTER	\$103	\$62	\$89	\$64	\$75	\$95
SOUTH VALLEY PREPRATORY CHARTER					\$76	\$93
SPRINGER	\$113	\$113	\$108	\$119	\$128	\$149
TAOS	\$804	\$914	\$764	\$897	\$1,047	\$655
TATUM	\$261	\$253	\$246	\$275	\$357	\$327
TEXICO	\$279	\$279	\$267	\$304	\$273	\$274
THRIVE CHARTER					\$66	\$154
TIERRA ENCANTADA CHARTER	\$39	\$38	\$36	\$40	\$56	\$147
TRUTH OR CONS.	\$932	\$931	\$708	\$1,052	\$1,268	\$1,032
TUCUMCARI	\$254	\$258	\$241	\$278	\$323	\$316
TULAROSA	\$587	\$618	\$536	\$642	\$794	\$735
TURQUOISE TRAIL CHARTER	\$279	\$281	\$265	\$302	\$442	\$454
VAUGHN	\$93	\$97	\$99	\$101	\$104	\$83
WAGON MOUND	\$112	\$113	\$106	\$116	\$137	\$143
ZUNI	\$624	\$499	\$601	\$598	\$741	\$489
<b>TOTAL</b>	<b>\$106,038</b>	<b>\$113,749</b>	<b>\$101,666</b>	<b>\$127,158</b>	<b>\$124,639</b>	<b>\$131,079</b>

Source: PED

## Appendix E. State of Electric School Buses in New Mexico

**Though the initial cost of an electric school bus is three to four times the common diesel school bus, research suggests that their reduced maintenance and fuel costs make their lifetime costs comparable.** LFC staff assessed the cost/benefit of electric school buses and the status of electric school buses in New Mexico. An electric school bus can cost up to \$400,000, two to three times the price of a diesel bus. However, electric buses have lower operating costs, so research indicates they can save districts an estimated \$4,000 to \$11,000 per bus per year compared with diesel versions. Santa Fe Public Schools is expecting up to \$15,000 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 (some ESBs in this data set are assumed to be operating based on existing trends with other buses moving through the adoption process, but asking the district directly would be needed to know for sure).

**Chart 19. Number of Committed Electric School Buses by District**

