

LFC Requester:

Henry Jacobs

AGENCY BILL ANALYSIS - 2026 REGULAR SESSION**WITHIN 24 HOURS OF BILL POSTING, UPLOAD ANALYSIS TO****[AgencyAnalysis.nmlegis.gov](https://agencyanalysis.nmlegis.gov) and email to billanalysis@dfa.nm.gov****(Analysis must be uploaded as a PDF)****SECTION I: GENERAL INFORMATION***{Indicate if analysis is on an original bill, amendment, substitute or a correction of a previous bill}***Date Prepared:** January 14, 2026*Check all that apply:***Bill Number:** HB 28Original ☒ Correction ☐Amendment ☐ Substitute ☐**Sponsor:** Christine Chandler**Agency Name
and Code
Number:**Administrative Office of the
District Attorneys - #264**Short** Artificial Intelligence**Person Writing**M. Anne Kelly**Title:** Transparency Act**Phone:** 5052503302**Email** akelly@da.state.nm.us**SECTION II: FISCAL IMPACT****APPROPRIATION (dollars in thousands)**

| Appropriation | | Recurring or Nonrecurring | Fund Affected |
|---------------|------|------------------------------|------------------|
| FY26 | FY27 | | |
| | | | |
| | | | |

REVENUE (dollars in thousands)

| Estimated Revenue | | | Recurring or Nonrecurring | Fund Affected |
|-------------------|------|------|---------------------------------|------------------|
| FY26 | FY27 | FY28 | | |
| | | | | |
| | | | | |

(Parenthesis () indicate revenue decreases)

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

| | FY26 | FY27 | FY28 | 3 Year Total Cost | Recurring or Nonrecurring | Fund Affected |
|--------------|------|------|------|----------------------|------------------------------|------------------|
| Total | | | | | | |

(Parenthesis () Indicate Expenditure Decreases)

Duplicates/Conflicts with/Companion to/Relates to:

Duplicates/Relates to Appropriation in the General Appropriation Act

SECTION III: NARRATIVE

BILL SUMMARY

Synopsis:

Section 1 is new material that creates the Artificial Intelligence Transparency Act.

Section 2 contains definitions for the terms in the Act including “artificial intelligence”, “consequential decision”, and “substantial factor” among others. “Consequential decision” is one that has a material, legal, or similarly significant effect on the provision or denial to a consumer, in cost or terms, to education enrollment, employment opportunity, financial/lending services; housing; health care; insurance; or legal services.

Section 3 is entitled “Use of Artificial Intelligence Systems When Making Consequential Decisions – Notice – Adverse Consequential Decisions – Opportunity for Appeal.

Subsection A requires a deployer to provide notice to the consumer – before the AI system is used to generate a substantial factor or make a consequential decision – that the system will be so used.

Subsection B requires that the deployer provide a statement directly to a consumer who is adversely affected by the use of AI in generating a substantial factor or making a consequential decision. The statement must include the principal reasons for the decision; the degree of human oversight in the process; and the source and type of data used. The consumer must also be advised of an opportunity to correct any incorrect personal data that was used and of the opportunity to appeal the adverse consequential decision.

Subsection C provides that the appeal of the adverse consequential decision “shall be reviewed by a human being.”

Subsection D provides that all such notices and information to consumers must be provided in plain language and in a format that is accessible to consumers with disabilities.

Section 4 is entitled “Use of Companion Products – User Notice”

“Companion product” is defined in Section 2 as “a software application that uses generative artificial intelligence and through the software application’s design and function is capable of generating adaptive, personalized and emotionally resonant responses to sustain a coherent, long-term, one-one-one conversational relationship with a user.” This section provides that any such product must provide a notice directly to the user, at the beginning of each interactive session, that the product is an AI system. This notice must be in plain language, presented conspicuously and persistently in the user interface, and presented at least every thirty minutes.

Section 5 is entitled “Enforcement – Department – Opportunity to Cure – Civil Actions”.

Subsection A provides that the “state department of justice” shall have the authority to enforce provisions of this Act. A consumer may bring a civil action in district court for declaratory judgment or injunctive relief.

Subsection B provides that nothing in this Act preempts or otherwise affects any other right, remedy, or defense available in law or equity.

Subsection C provides that a violation of the Act is an unfair or deceptive trade practice and may be enforced pursuant to the Unfair Practices Act.

Section 6 provides that the effective date of the Act is July 1, 2026.

FISCAL IMPLICATIONS

Note: major assumptions underlying fiscal impact should be documented.

Note: if additional operating budget impact is estimated, assumptions and calculations should be reported in this section.

None noted for this agency.

SIGNIFICANT ISSUES

This Act is designed to regulate deployers and developers of AI systems and to ensure that consumers are protected and informed about their uses and risks, particularly when AI is used to make consequential decisions.

The federal government has passed some legislation that governs AI and addresses concerns about algorithmic discrimination. Some of these include:

15 UCSC § 278h-1 Standards for artificial intelligence outlines the mission of the National Institute of Standards and Technology (NIST) to advance collaborative frameworks, standards, and guidelines for AI, including the development of risk-mitigation frameworks and technical standards to test for bias in AI training data and applications

42 USCS § 18937 mandates the Director to support the development of AI and data science, including the creation of frameworks for managing risks associated with AI systems and the development of technical standards to promote safe and trustworthy AI systems.

15 USCS § 9451 Artificial intelligence research and education emphasizes the importance of incorporating ethical, social, safety, and security considerations into AI research, with a specific focus on mitigating potential harms and promoting best practices for governance of research in emerging technologies.

In October of 2022, the White House introduced an AI Bill of Rights. It is not law but is a framework created by the Office of Science and Technology (OTSP) to guide the development, deployment, and use of AI to prioritize fairness and respect for civil rights.

Colorado recently passed the “Colorado Consumer Protections for Artificial Intelligence Act” which is effective on February 1, 2026. It requires that developers and deployers use reasonable care to protect consumers from known risks of algorithmic discrimination, disclose to consumers that they are interacting with an AI system, and develop compliance measures to implement risk management policies and conduct impact assessments.

PERFORMANCE IMPLICATIONS

None noted.

ADMINISTRATIVE IMPLICATIONS

None noted.

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

None noted.

TECHNICAL ISSUES

None noted.

OTHER SUBSTANTIVE ISSUES

None noted.

ALTERNATIVES

None noted.

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

Status quo.

AMENDMENTS