

LFC Requester:

Jacobs

AGENCY BILL ANALYSIS - 2026 REGULAR SESSION

WITHIN 24 HOURS OF BILL POSTING, UPLOAD ANALYSIS TO
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: 1/14/26 **Check all that apply:**
Bill Number: HB 28 Original Correction
 Amendment Substitute

Sponsor:	Christine Chandler	Agency Name and Code Number:	361- NM Department of Information Technology
Short Title:	Artificial Intelligence Transparency Act	Person Writing Analysis:	David Pardo
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SECTION II: FISCAL IMPACT**APPROPRIATION (dollars in thousands)**

Appropriation		Recurring or Nonrecurring	Fund Affected
FY25	FY26		

(Parenthesis () indicate expenditure decreases)

REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Nonrecurring	Fund Affected
FY25	FY26	FY27		

(Parenthesis () indicate revenue decreases)

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY25	FY26	FY27	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: House Bill 28 establishes the *Artificial Intelligence Transparency Act*, a measure designed to ensure openness and accountability in the use of artificial intelligence. The legislation requires that consumers be notified whenever AI systems play a role in consequential decisions—such as those affecting education, employment, financial services, housing, health care, insurance, or legal matters. In addition to this notice requirement, the bill mandates clear disclosures when consumers interact with companion products, which are AI-driven applications intended to provide personalized, long-term engagement.

Under the Act, consumers are entitled to advance notice of AI involvement, detailed explanations for adverse decisions, and an opportunity to appeal those decisions. All notices must be accessible, presented in multiple languages, and formatted to accommodate individuals with disabilities. Furthermore, the law requires companion products to provide conspicuous disclosures during interactive sessions. Enforcement authority is vested in the Department of Justice, and consumers may seek civil remedies for violations of the Act.

Key Definitions:

Artificial Intelligence: Engineered system that infers from inputs to generate outputs influencing environments.

Consequential Decision: Material effect on education, employment, financial services, housing, health care, insurance, or legal services.

Companion Product: Generative AI application sustaining long-term conversational relationships.

Developer/Deployer: Entities making or using AI systems in New Mexico.

Effective Date: July 1, 2026.

FISCAL IMPLICATIONS

For the Department of Information Technology (DoIT), the fiscal impact of HB 28 will primarily involve costs associated with compliance and oversight responsibilities. These include implementing notice systems, managing consumer appeals systems, and ensuring accessibility features across platforms. In addition, DoIT must integrate HB 28 requirements with the existing Generative AI Use Guidelines Policy, which mandates governance frameworks, security reviews, and compliance monitoring for Gen-AI deployments. This alignment will require staff training, risk management processes, and periodic audits. While the exact cost is indeterminate at this time, it will depend on staffing needs, IT system modifications, and expanded compliance obligations based on the number of notifications required to be generated by executive branch agencies using

AI systems to inform consequential decisions impacting consumers.

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.

SIGNIFICANT ISSUES

HB 28 emphasizes transparency and consumer rights by requiring detailed notices and appeal processes when AI systems influence consequential decisions. These provisions align with the Generative AI Use Guidelines Policy, which already requires transparency, explainability, and accountability for state agency AI deployments. However, HB 28 introduces additional statutory obligations that may overlap with existing policy, creating a need for harmonization to avoid duplication.

Beyond DoIT, other state agencies may face significant operational impacts, including staffing increases and technical upgrades. The federal landscape adds further complexity: the Executive Order issued on December 11, 2025 establishes a national policy framework intended to minimize burdensome state AI regulations. HB 28's disclosure and appeal mandates could be considered "onerous" under this framework, potentially triggering federal challenges and restrictions on funding. Businesses and agencies may face uncertainty regarding compliance obligations and investment decisions, given the possibility of federal preemption and litigation.

PERFORMANCE IMPLICATIONS

ADMINISTRATIVE IMPLICATIONS

Implementing HB 28 will likely require agencies to expand their workforce to handle compliance obligations, consumer appeals, and accessibility reviews depending on implementation of AI systems that make consequential decisions impacting consumers. For DoIT, these responsibilities will compound existing requirements under the Generative AI Use Guidelines Policy, which calls for governance frameworks, risk management, and compliance monitoring. The Department of Justice will need specialized legal and technical expertise to enforce the Act's provisions effectively. Coordination with federal entities to ensure interoperability and avoid conflicts with emerging national standards could further increase administrative burden.

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

House Bill 28 is related to House Memorial 2, which calls for the creation of an artificial intelligence workgroup to study data governance and related issues. Additionally, the federal Executive Order issued on December 11, 2025 seeks to establish a uniform national policy framework for AI and preempt conflicting state laws. This creates potential legal and policy conflicts for New Mexico, as HB 28's requirements may be challenged or overridden under federal initiatives aimed at minimizing regulatory burdens.

TECHNICAL ISSUES

Several technical considerations should be addressed to strengthen HB 28. The bill should clarify the scope of what constitutes a “companion product” and establish clear guidelines for the frequency and format of disclosure requirements. Standards for “plain language” and accessibility compliance also need to be defined to ensure consistency and usability across different platforms. Additionally, specifying timelines for consumer appeals and enforcement actions would provide greater predictability for both agencies and businesses. HB 28 implementation should align with the NIST-based principles already adopted in the Generative AI Use Guidelines Policy—such as transparency, explainability, and auditability—to ensure consistency and reduce duplication.

OTHER SUBSTANTIVE ISSUES

ALTERNATIVES

To reduce potential conflicts with federal policy and minimize litigation risk, HB 28 could be aligned more closely with national principles outlined in recent executive actions. This alignment would also help preserve eligibility for federal funding programs. The Legislature may consider exempting small businesses or low-risk AI applications to ease compliance burdens and encourage innovation. For state agencies, leveraging the governance framework and compliance processes established in the Generative AI Use Guidelines Policy would streamline implementation and reduce redundancy. Additionally, incorporating the NIST AI Risk Management Framework into HB 28 compliance strategies would provide a structured approach to risk mitigation and accountability.

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

If HB 28 is not enacted, consumers will lack essential protections and transparency when artificial intelligence influences consequential decisions, leaving them vulnerable to errors and bias without clear avenues for appeal. The absence of statutory disclosure requirements would allow companion products and other AI systems to operate without accountability, increasing risks of harm and discrimination. State agencies would face legal and compliance gaps, as existing Generative AI guidelines would remain policy-only without enforceable authority, weakening oversight and consistency. Strategically, New Mexico could fall behind other states in establishing AI governance, while also risking misalignment with emerging federal standards. This regulatory void could erode public trust in government and private-sector AI applications, signaling inaction at a time when citizens expect safeguards against opaque and potentially harmful technologies.

AMENDMENTS