AGENCY BILL ANALYSIS - 2026 REGULAR SESSION

WITHIN 24 HOURS OF BILL POSTING, UPLOAD ANALYSIS TO
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(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: 1/16/2026   *Check all that apply:*
Bill Number: HB 28   Original ___   *X* Correction __
                              Amendment __   Substitute __

Sponsor: Christine Chandler

Agency Name and Code Number: New Mexico Regulation and Licensing Department ("RLD") 00420

Short Title: Artificial Intelligence Transparency Act

Person Writing Benjamin Schrope
Phone: 505-231-7467 **Email** benjamin.schrope@rld.nm.gov

SECTION II: FISCAL IMPACT

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Nonrecurring	Fund Affected
FY26	**FY27**		
0	0	0	n/a

REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Nonrecurring	Fund Affected
FY26	**FY27**	**FY28**		
0	0	0	n/a	n/a

(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	0	0	0	0	Recurring	n/a

(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:

HB 28 requires that a person doing business in New Mexico, the state, or a political subdivision of the state, that uses an artificial intelligence system ("AI") to make a consequential decision (the "deployer") which will affect a consumer to provide a specified form of notice that AI is being used to generate a substantial factor or make a consequential decision (p. 4).

HB 28 defines a consequential decision as a decision that has a material legal or similarly significant effect on the provision or denial to a consumer of or the cost or terms of education enrollment, employment or employment opportunity, a financial or lending service, housing, health care service, insurance, or legal service (p. 2).

HB 28 requires "deployers" to provide additional notice when AI is further used to generate a substantial factor a make a consequential decision that is adverse to the consumer (pp. 4-5). The notice of an adverse decision must include an opportunity for the consumer to appeal and notice of this opportunity (p. 5).

When a software application that uses generative AI is utilized (presumably by the deployer, the bill does not specify) to generate "adaptive, personalized and emotionally resonant responses to sustain a coherent, long-term, one-on-one conversational relationship with a user," then specified notice must be provided to the user that the user is interfacing with AI (pp. 2, 5-6). Such an AI interface shall not represent itself as human or make other material misrepresentations (p. 6).

HB 28 provides an enforcement mechanism and procedures (pp. 6-7).

FISCAL IMPLICATIONS
No fiscal or operational implications to the RLD.

SIGNIFICANT ISSUES
The appeal procedure of an "adverse consequential decision" is not specified or described other than the appeal "shall be reviewed by a human being" (p. 5).

PERFORMANCE IMPLICATIONS
The Regulation and Licensing Department (RLD) currently does not utilize AI to generate a substantial factor in or make a consequential decision concerning a consumer. In the event the RLD were to utilize AI in this manner, providing a right to appeal the decision and notice of such would create little or no additional fiscal impact, as the RLD currently provides extensive rights to a hearing, appeal and notice of such in the event of an adverse decision impacting a licensee pursuant to NMSA 1978, § 61-1-1 et seq. or similar statutory or regulatory provisions. Altering the notice and appeal procedure in the manner required by HB 28 would have little foreseeable impact, fiscal or otherwise.

The RLD currently does not utilize AI to generate adaptive, personalized and emotionally resonant responses to sustain a coherent, long-term, one-on-one conversational relationship with a user. In the event the RLD were to acquire and utilize such an AI program, the onboarding and application

of the notice required in HB 28 would be a relatively minimal expense.

ADMINISTRATIVE IMPLICATIONS
No known administrative implications other than "performance implications" identified above.

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP
Violation of HB 28 is enforced in the manner provided in NMSA 1978, § 57-12-3.

TECHNICAL ISSUES

OTHER SUBSTANTIVE ISSUES
The definition of "substantial factor" and its application is potentially vague. AI generating a "substantial factor" in making a decision specifically means AI generating "a decision, score, label, prediction or recommendation…that is a basis or partial basis to make a consequential decision" (pp. 3-4).   It is not entirely clear whether underlying data that may be gathered, rendered or stored by AI could fall within the specified categories of "a decision, score, label prediction or recommendation," when such data may potentially be included in specified notices of adverse decisions required by HB 28.

Use of AI has become common place, i.e. AI has been incorporated into common internet search engines and proof-reading tools. However, the term "substantial factor" could be interpreted more broadly in its application to include many common-place operations, making it difficult to identify persons qualifying as "deployers" and thus subject to the requirements contained in HB 28.

ALTERNATIVES
None

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL
Consumers adversely impacted by an adverse consequential decision made by AI will not have a right to notice that the decision is being made by such a system and will not have a right to appeal such a decision. People interfacing with AI will not be entitled to notice that they are interfacing with AI and could be misled to believe they are interacting with a human being.

AMENDMENTS