

LFC Requester:

Henry Jacobs

**AGENCY BILL ANALYSIS - 2026 REGULAR SESSION**

**WITHIN 24 HOURS OF BILL POSTING, UPLOAD ANALYSIS TO [AgencyAnalysis.nmlegis.gov](http://AgencyAnalysis.nmlegis.gov) and email to [billanalysis@dfa.nm.gov](mailto: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:** 1/28/26 **Bill Number:** HB174 **Original**  **Amendment**  **Substitute**

**Short Title:** CHATBOT SAFETY ACT

**Sponsor:** Rep.Andrea Romero

**Name and Code Number:** HCA 630

**Person Writing:** Tim Thackaberry

**Phone:** 505-309-2127 **Email:** timp.thackaberry@hca.nm.gov

**SECTION II: FISCAL IMPACT**

**APPROPRIATION (dollars in thousands)**

Appropriation		Recurring or Nonrecurring	Fund Affected
FY26	FY27		
\$0.0	\$0.0		

(Parenthesis ( ) indicate expenditure decreases)

**REVENUE (dollars in thousands)**

Estimated Revenue			Recurring or Nonrecurring	Fund Affected
FY26	FY27	FY28		
\$0.0	\$0.0	\$0.0		

(Parenthesis ( ) indicate revenue decreases)

## ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY26	FY27	FY28	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
<b>ITD</b>	\$0.0	\$133.0	\$95.0	\$228.0	Nonrecurring	General fund
<b>Federal match</b>	\$0.0	\$217.0	\$155.0	\$372.0	Nonrecurring	Federal match
<b>Total</b>	\$0.0	\$350.0	\$250.0	\$600.0		

(Parenthesis ( ) Indicate Expenditure Decreases)

### SECTION III: NARRATIVE

#### **BILL SUMMARY**

##### Synopsis:

HB174, called the Chatbot Safety Act, establishes guidelines for how chatbots – called “companion AI products” in the bill – must be built and deployed. A “companion AI product” is defined as software using generative AI to maintain long-term, personalized, emotionally resonant conversations. Specifically, anyone that creates a chatbot cannot:

- Use variable reinforcement schedules to maximize engagement;
- Send unsolicited messages of emotional distress or guilt when users try to disengage;  
or
- Misrepresent identity, capabilities, or non-human status.

The bill dictates that minors cannot enable any features like the above.

HB174 also states that there must be clear notifications that users are interacting with AI. These notifications must be persistent and conspicuous for text-based interactions, or periodic (every 30 minutes) for other interactions. These notifications are mandatory for minors in all cases.

Anyone that creates a chatbot must also enable a “crisis intervention protocol” that does the following:

- Detects suicidal ideation or violence risk;
- Interrupts conversation and provide immediate access to crisis hotlines (national, NM crisis line, and text line); and
- Is reviewed annually with mental health professionals.

Violations of HB174 are deemed unfair or deceptive trade practices under the Unfair Practices Act. It is enforced by the Attorney General and immunity under Section 230 of the federal Communications Decency Act of 1996 is not an allowable defense. Harm

caused by violations or foreseeable harmful outputs due to negligent design/training is actionable as a product defect claim.

## **FISCAL IMPLICATIONS**

ITD will incur some costs to modify our chatbots to comply fully with the crisis intervention protocol requirements of the bill. We will need to do detailed requirements in conjunction with our vendor partners to determine the precise costs involved, but we estimate the full cost of compliance will be around \$600,000 for all chatbots.

## **SIGNIFICANT ISSUES**

Our current chatbots already ensure clear and persistent AI disclosure and can identify indicators of potential self-harm. However, we will need to modify them to interrupt conversations and provide immediate access to crisis hotlines. We will also need to establish a process to have our safeguards reviewed annually by mental health professionals. For future chatbot development, we will need to ensure that all the requirements of the bill are met in full.

## **PERFORMANCE IMPLICATIONS**

Future chatbot development will incur additional overhead to ensure that all the requirements of HB174 are met. This overhead would not be considered undue or onerous given the problems the bill is designed to address.

## **ADMINISTRATIVE IMPLICATIONS**

Future ITD contracts for chatbots will need to include clauses that ensure all the requirements of the bill are met.

## **CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP**

None for ITD

## **TECHNICAL ISSUES**

No technical issues for ITD

## **OTHER SUBSTANTIVE ISSUES**

## **ALTERNATIVES**

## **WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL**

Status quo

## **AMENDMENTS**