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FISCAL IMPACT REPORT

BILL NUMBER: CS/Senate Bill 152/SFCS

SHORT TITLE: Low-Income Telecomm. Assistance Program

SPONSOR: Senate Finance Committee

LAST ORIGINAL
UPDATE: 2/13/26 **DATE:** 2/2/26 **ANALYST:** Gygi

REVENUE* (dollars in thousands)

Type	FY26*	FY27	FY28	FY29	FY30	Recurring or Nonrecurring	Fund Affected
Subscriber Surcharge	\$40,000.0	\$40,000.0	Up to \$75,000.0	Up to \$75,000.0	Up to \$75,000.0	Recurring	State Rural Universal Service Fund

Parentheses indicate revenue decreases.

*Amounts reflect most recent analysis of this legislation. FY26 reflects current fund cap.

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT* (dollars in thousands)

Agency/Program	FY26	FY27	FY28	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
HCA	No fiscal impact	Indeterminate but minimal	Indeterminate but minimal	Indeterminate but minimal	Recurring	General Fund
OBAE	No fiscal impact	No fiscal impact	No fiscal impact	No fiscal impact	Recurring	General Fund
PRC	No fiscal impact	Indeterminate but minimal	Indeterminate but minimal	Indeterminate but minimal	Recurring	General Fund
TRD	No fiscal impact	No fiscal impact	No fiscal impact	No fiscal impact	Recurring	General Fund

Parentheses () indicate expenditure decreases.

*Amounts reflect most recent analysis of this legislation.

Relates to House Bill 323

Sources of Information

LFC Files

Agency or Agencies Providing Analysis

Health Care Authority
 Office of Broadband Access and Expansion
 Public Regulation Commission
 Taxation and Revenue Department

Agency or Agencies That Were Asked for Analysis but did not Respond

New Mexico Counties

SUMMARY

Synopsis of the SFC Committee Substitute for Senate Bill 152

The Senate Finance Committee (SFC) substitute for Senate Bill 152 (SB152/SFCS) would establish a new low-income telecommunications assistance program (LITAP), funded by the state rural universal service fund (SRUSF), to ensure affordable access to telecommunications services for eligible low-income households in New Mexico. Eligible households include those receiving need-based assistance through the Health Care Authority (HCA), households that include an at-risk student pursuant to the Yazzie/Martinez litigation, or those meeting eligibility criteria for the federal Lifeline program or its successor.

In conjunction with establishing this program, SB152/SFCS would do the following:

- Repeal the Low-Income Telephone Service Assistance Act, which provides a similar affordability program focused solely on telephone service;
- Make several major changes to the SRUSF, which is administered by the Public Regulation Commission (PRC), and amend various articles within Chapter 63 to align with the proposed changes to the SRUSF;
- Cap LITAP funding at \$10 million in the first year, and \$45 million in subsequent years;
- Establish reporting requirements regarding the participation and management of the new program;
- Allow eligible telecommunication carriers to use certain national databases, or an alternative mechanism approved by PRC, to verify eligible households and provide reduced rates to those households;
- Require HCA to provide data to assist PRC in identifying eligible individuals to receive LITAP assistance;
- Makes the sharing of confidential information with PRC by the Public Education Department (PED) and HCA subject to state and federal laws and regulations governing the sharing of confidential information.

Additionally, the bill adds definitions for underserved and unserved locations based on federal quality of service standards; amends other definitions and specifications to bring PRC's broadband program into alignment with the federal Broadband Access and Expansion Act; restructures the SRUSF by replacing the overall fund cap with individual caps for each program supported by the SRUSF; and repeals the sunset provision for the access reduction support program.

The effective date of this bill is July 1, 2026.

FISCAL IMPLICATIONS

There will be no fiscal impact to the state general fund or agency appropriations. The LITAP will be exclusively funded through SRUSF, which is funded through surcharges passed on to subscribers. Thus, non-eligible households and businesses in the state will incur additional subscription costs to cover the subsidies provided to low-income households; see below.

In its analysis of the original SB152, PRC states the bill would increase the commission's administrative responsibilities and workload through required rulemaking to amend regulations, interagency coordination, and expanded annual reporting. The commission does not indicate any associated increase in costs.

Similarly, HCA, which is assigned coordination and data support responsibilities, anticipates increased workload but costs will “be determined through more detailed requirements-gathering and discussions with relevant stakeholders.” The Office of Broadband Access and Expansion (OBAE) and the Taxation and Revenue Department (TRD) report no fiscal impact.

SRUSF PROJECTED REVENUES

As specified in the Rural Telecommunications Act (Section 93-H NMSA 1978), each year PRC determines the amount of the fund for the next calendar year and the surcharge rate necessary to finance the fund. The amount of the fund is equal to the sum of each eligible telecommunication carrier’s revenue requirement and other fund requirements, plus projected administrative expenses and a prudent fund balance. Current statute permits the commission to award up to \$40 million from the fund.

The PRC notes that SB152/SFCS would restructure the SRUSF by replacing the overall fund cap of \$40 million with individual caps for the programs the fund would support: access reduction, need-based, and comparable carrier support (\$18 million); broadband program (\$12 million); and the proposed LITAP (\$10 million in year one; \$45 million in subsequent years). Under the current overall cap, PRC allocates all SRUSF obligations based on statutory priorities. Under the proposed program-specific caps, the total obligation of the SRUSF could reach up to \$40 million in the first year of the program and up to \$75 million in subsequent years.

To fund these obligations, subscriber costs will increase. The PRC sets the surcharge rate annually based on demand and fund balances. The 2026 rate is \$0.061 per “communication connection,” down from \$1.13 in 2024 and \$0.97 in 2023. The commission estimates the surcharge could increase to \$2 based on the proposed cap of \$75 million, given the approximately 29.4 million communication connections reported for the state.

Current statute specifies the surcharge shall not be imposed on private telecommunications networks; governmental entities, public school districts, and higher education institutions; Indian nations, tribes or pueblos; and Native American residents on tribal or pueblo lands. SB152/SFCS adds language exempting recipients of reduced rates through LITAP and 911 emergency surcharges.

The following table from PRC’s most recent annual SRUSF report summarizes the fund’s obligations for 2026. PRC currently funds a small LITAP program, which will be greatly expanded if the Legislature enacts SB152/SFCS.

	2026 Monthly	2026 Annual
Connection Projection	<u>2,449,052</u>	<u>29,388,618</u>
Funding Requirement	Monthly	Annual
Access Reduction	\$ 1,366,435	\$ 16,397,219
Comparable Carrier Support	111,081	1,332,977
LITAP	23,700	284,400
Admin Fees	9,115	109,376
Legal Fees	4,167	50,000
Audit Fees	2,083	25,000

Total Minimum Funding Requirement	\$ 1,516,581	\$ 18,198,971

The bill removes the sunset on access reduction payments that are heavily used, so the payments would continue indefinitely, which increases pressure on the fund.

SIGNIFICANT ISSUES

Despite large infusions of state and federal funding for broadband infrastructure, particularly post-pandemic, broadband subscription rates remain unaffordable for many New Mexicans.¹ OBAE comments:

Through PRC’s broadband program, the Connect New Mexico Fund, and federal funding, New Mexico will have enforceable commitments to serve virtually every broadband serviceable location in New Mexico by the end of 2026. However, affordability - not access - is the single largest barrier to New Mexico families subscribing to broadband service.

Federal funding for broadband subscription subsidies ended when Congress defunded the federal Affordable Connectivity Program in 2024. The remaining Lifeline program provides insufficient subsidies for many low-income households. According to OBAE, “the establishment of a state-funded LITAP through this bill will assist the state in lowering broadband costs for New Mexicans, and fostering socioeconomic progress for eligible households by enabling meaningful access to the internet.”

OBAE reports that around 330 thousand New Mexican households would be eligible for LITAP subsidies. About 180 thousand households (about 48 percent of those eligible) participated in the federal Affordable Connectivity Program, which provided a subsidy of \$30 per month per household and \$75 per month on tribal lands. Assuming subsidy amounts of \$340 and \$900 per year, the office anticipates similar or slightly lower participation in the proposed LITAP program, which has a lower income limit, 135 percent federal poverty level (FPL) versus 200 percent FPL.

The proposed LITAP cap of \$10 million in the first year could subsidize around 30 thousand households at the \$340 per year level in the first year and 120 thousand in subsequent years.

OBAE reports only around 15 percent of eligible New Mexico households (50,515 households) currently subscribe to the federal Lifeline program because of its low subsidy capped at \$9.25 per month and \$34.25 per month on qualifying tribal lands. OBAE states: “This bill will incentivize use of Lifeline, by ensuring that eligible applicants for the New Mexico program are also receiving federal funds.”

OBAE explains:

In 2026, a family of four making \$44,550 or less (135 percent of federal poverty

¹ Affordability is one of the six (6) strategic priorities in the three-year Statewide Broadband Plan, see https://connect.nm.gov/uploads/1/4/1/9/141989814/obae-2026-28-three-year-broadband-plan-final_draft-compressed.pdf.

guidelines) would be eligible for support through LITAP. In New Mexico, approximately 330,000 households fall below this threshold. Nationwide, an estimated 40 percent of households making \$50,000 or less cannot afford to pay anything for home broadband. Without this bill, low-income households, and at-risk students, will be unable to meaningfully access the internet. This lack of meaningful access will limit employment, educational, and health care opportunities, particularly in rural and tribal communities.

PERFORMANCE IMPLICATIONS

OBAE and PRC participate in performance-based budgeting. While PRC only has a connectivity measure, OBAE has a performance measure related to affordability in addition to service/connectivity: “Percent of eligible households participating in a federal affordability program.”

PERFORMANCE MEASURES

		FY24 Actual	FY25 Actual	FY26 Budget	FY27 Request	FY27 Recomm
Explanatory	Number of partner organizations participating in agency workforce development programs, workshops or events	\$0.0	\$81.0	N/A	N/A	N/A
Explanatory	Number of students who can participate in distance learning, homework or other online learning statewide	\$0.0	\$95,000.0	N/A	N/A	N/A
Outcome	Percent of households and businesses with internet connection speeds below the federal communications commission speed benchmark now connected to broadband meeting the benchmark	0%	31%	0%	18%	18%
Output	Percent of eligible households participating in a federal affordability program	0%	0%	0%	100%	100%

The LITAP subsidy can be used together with the federal Lifeline subsidy (currently the only federal subsidy) to make broadband access more affordable. The higher total subsidy should incentivize increased participation in the Lifeline program, which currently is only 15 percent of eligible households (about 50,515 subscribers). This could help OBAE reach its target of 100 percent participation in a federal affordability program.

OBAE also has an existing grant program, the student connect program, which provides free broadband access to eligible students identified through the Public Education Department.

ADMINISTRATIVE IMPLICATIONS

The Health Care Authority notes that the ITD data services team will need to play a large role in determining the precise requirements of SB152/SFCS’s data sharing provisions, including those related to privacy and data security.

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

Relates to House Bill 323 which would appropriate \$5 million to OBAE for an affordable broadband assistance pilot program for low-income rural “people.”

The SFC substitute for SB152 relates to Senate Bill 155 enacted by the 2023 Legislature which allowed RUSF to fund the broadband program up to the total annual fund cap and imposed the current sunset date on access reduction supports to providers. There have been numerous bills modifying the Rural Telecommunications Act and the allowed uses of the rural universal service funds due to changes in technology and the regulatory environment since the Internet became widely available.

TECHNICAL ISSUES

Current statute does not define “quality of service standards” and the term is used inconsistently in different sections of the act, most in reference to the Federal Communications Commission or the Broadband Access and Expansion Act. The proposed new Section 7 requires the LITAP program to “mirror” federal quality of service standards.

In addition, PRC suggests the use of quality of service standards in the definitions of unserved and underserved is problematic. The added definitions for “unserved” and “underserved” include specific transmission speeds, also known as quality of service standards.

"Underserved" means an area or property that does not have access to fixed and mobile internet service offering speeds greater than one hundred megabits per second downstream and twenty megabits per second upstream; and

"Unserved" means an area or property that either does not have access to fixed and mobile internet service at all or only has access to internet service offering speeds below twenty-five megabits per second downstream or three megabits per second upstream.”

PRC notes that requiring the commission to follow specific federal quality of service standards that presume delivery by fiber may not be possible in rural areas and is anti-competitive:

[This requirement] may run counter to the mandate that broadband program applications be considered in a technologically neutral manner and counter to the purpose of the Rural Telecommunications Act, which is intended to promote competitiveness. The quality-of-service standards adopted by the FCC favors fiber-optic infrastructure, which may be difficult to deliver to underserved or unserved areas. Alternative measures should be considered for certain speed requirements in areas that cannot be supported by fiber-optic infrastructure, relying on other means or technology.

The committee substitute removes the section flagged by PRC in its analysis for the original bill: “Section 7, Subsection B is unnecessary and should be removed for clarity. Because the commission collects only the funds necessary to fulfill its annual obligations and each program has a set cap, there will not be unallocated SRUSF money.”

OTHER SUBSTANTIVE ISSUES

OBAE was awarded \$675 million in federal Broadband, Equity, Access and Deployment (BEAD) funds. As of January 2026, the federal government approved the use of \$382 million for 21 grants. In its press release about the federal BEAD approval, the office noted, with existing state and federal projects, 94 percent of the state will have high-speed internet. Currently 90 percent of the state has high-speed internet connectivity. The office notes that affordability is the largest barrier for families to subscribe to broadband service.

Under the new federal administration, the BEAD ruling changed to also reflect neutral technology (see PRC comment in Technical Issues), which is reflected in OBAE’s BEAD awards and the projects federally approved. The BEAD awards OBAE recently announced are 43 percent fixed wireless, 42 percent fiber and 15 percent low orbit satellite. More than half of the awarded projects are for wireless solutions. SB152/SFCS seems to be misaligned with how BEAD was awarded by unintentionally requiring the PRC to follow federal standards that prefer fiber. OBAE’s Connect New Mexico website lists low-cost high-speed Internet plans as low as \$10 to \$20 per month for eligible households, but many are at lower speeds than specified in the substitute bill.²

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² <https://connect.nm.gov/affordability.html>