FISCAL IMPACT REPORT

		LAST UPDATED	
SPONSOR	Romero, A/Rubio	**ORIGINAL DATE**	2/3/2025
SHORT TITLE	No Use of AI for Rent Manipulation	**BILL NUMBER**	House Bill 215
		ANALYST	Ortega

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT*
(dollars in thousands)

Agency/Program	FY25	FY26	FY27	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
NMAG	**No fiscal impact**	**Indeterminate but minimal**	**Indeterminate but minimal**	**No fiscal impact**	Recurring	**General Fund**
AOC	**No fiscal impact**	**Indeterminate but minimal**	**Indeterminate but minimal**	**No fiscal impact**	Recurring	**General Fund**

Parentheses ( ) indicate expenditure decreases.
*Amounts reflect most recent analysis of this legislation.

Sources of Information

LFC Files

Agency Analysis Received From
Department of Finance and Administration (DFA)
New Mexico Mortgage Finance Authority (MFA)

Agency Analysis was Solicited but Not Received From
Court of Appeals
Supreme Court (NMSC)
Attorney General (NMAG)
New Mexico Counties
New Mexico Municipal League (NMML)

Agency Declined to Respond
Administrative Office of the Courts (AOC)

SUMMARY

Synopsis of House Bill 215

House Bill 215 (HB215) amends the Uniform Owner-Resident Relations Act to prohibit the use of artificial intelligence (AI) in rental price coordination. The bill defines “coordinating function” as collecting, analyzing, and computationally processing, including using to train an algorithm/AI, data on historical or contemporaneous prices, supply levels, or lease or rental contract termination and renewal dates of dwelling units from two or more rental property owners in order to recommend rent prices, lease renewal terms, or occupancy levels to owners. The bill defines “coordinator” to mean a software or data analytics service that performs a coordinating function for an owner, including services performed by a rental property owner for their own benefit.

HB215 prohibits owners or agents of owners from subscribing to or contracting the services of a coordinator, coordinators from facilitating an agreement among owners of separate properties to restrict competition (including by providing a coordinating function), and rental property owners from tacitly agreeing to raise, lower, change, maintain, or manipulate the price of rent for their separate properties.

Individuals harmed by violations of this law would have the right to seek legal action in court.

This bill does not contain an effective date and, as a result, would go into effect 90 days after the Legislature adjourns if enacted, or June 20, 2025.

FISCAL IMPLICATIONS

HB215 does not include an appropriation for its implementation but may have a fiscal impact on state agencies responsible for enforcement and the judicial system. The New Mexico Attorney General or other regulatory entities may incur costs related to monitoring compliance and investigating violations. Additionally, the court system could experience increased caseloads due to the bill's provision allowing individuals to sue for violations.

While the exact number of cases that may arise is uncertain, increased enforcement efforts and legal proceedings could require additional resources. The extent of these costs would depend on how frequently violations occur and how aggressively enforcement actions are pursued.

SIGNIFICANT ISSUES

The Department of Finance and Administration (DFA) notes that concerns over AI-driven rent pricing coordination gained national attention when the U.S. Department of Justice and several states filed an antitrust lawsuit against RealPage and major landlords in 2024. The lawsuit alleges that RealPage facilitated price coordination by collecting and analyzing rental data from competing landlords to generate algorithmic pricing recommendations. DFA points out that while the case is ongoing, its outcome remains uncertain, and federal enforcement efforts may shift under a new presidential administration. DFA believes that enacting HB215 would provide state-level enforcement to address these concerns within New Mexico.

The New Mexico Mortgage Finance Authority (MFA) highlights that several jurisdictions, including San Francisco, Philadelphia, and Virginia, have enacted or proposed similar bans on AI-driven rental pricing tools. According to MFA, these bans are intended to prevent landlords from using algorithmic software to coordinate rental prices, which can lead to artificially inflated housing costs. However, MFA also notes that critics argue such restrictions could discourage investment in the rental housing market by creating regulatory uncertainty and limiting landlords' ability to use data-driven pricing strategies.

MFA also notes that, "Demonstrating that landlords are engaging in price-fixing through AI tools is legally complex. Traditional antitrust laws require evidence of explicit agreements between parties, but AI algorithms can facilitate implicit coordination without direct communication, complicating enforcement efforts."

OTHER SUBSTANTIVE ISSUES

DFA notes, “There are not requirements to include the law in trainings or to provide notification to rental property owners. It may be useful to require a relevant agency to provide trainings or put out information in order to inform landlords of this new law.”

ALTERNATIVES

DFA suggests, “Other possibilities to protect tenants from rental property owners seeking excessive rents include rent control or [rent] stabilization laws. These would have to be carefully designed to achieve the objective for tenants and not suppress the production of new rental properties.”

AO/rl