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## FISCAL IMPACT REPORT

SPONSOR Ortiz y Pino ORIGINAL DATE 1/31/2020  
LAST UPDATED 2/04/2020 HB \_\_\_\_\_

SHORT TITLE Blockchain Technology Taskforce SJM 9/aSRC

ANALYST Fresquez

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

	FY20	FY21	FY22	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
<b>Total</b>	\$20.0	\$20.0	\$0	\$40.0	Recurring	General Fund

(Parenthesis ( ) Indicate Expenditure Decreases)

Companion to Senate Bill 113

### SOURCES OF INFORMATION

LFC Files

#### Responses Received From

New Mexico Attorney General (NMAG)  
Department of Information Technology (DoIT)  
Economic Development Department (EDD)  
Regulation and Licensing Department (RLD)  
Secretary of State (SOS)

#### Other Responses

New Mexico State University  
University of New Mexico

#### No Response Received

Department of Finance and Administration (DFA)  
General Services Department (GSD)  
State Treasurer (STO)  
Department of Health (DOH)  
Workforce Solutions Department (DWS)

### SUMMARY

#### Synopsis of SRC Amendment

The Senate Rules Committee amendment to Senate Joint Memorial 9 adds two other cabinet secretaries to participate in the task force – the secretary of Department of Transportation and

secretary of Department of Finance and Administration, and includes language to transmit copies of the memorial to those two cabinet secretaries.

### Synopsis of Original Bill

Senate Joint Memorial 9 Blockchain Taskforce – requests the Secretary of the Department of Information Technology (DoIT) to convene a blockchain technology task force to examine and report the potential benefits and risks to the public associated with the use of blockchain technology in the public and private sectors. The task force is to report the findings and recommendations to the interim legislative committee associated with economic and rural development by September 1, 2021.

Senate Joint Memorial 9 defines blockchain technology as “a digital ledger or database that uses a distributed, shared and replicated ledger, either public or private, with or without permission, where the data on the ledger is protected with cryptography and is immutable and auditable.” Further, advances in blockchaing technology

The task force membership includes the attorney general, the secretary of state, several cabinet secretaries, and several appointees by the DoIT secretary to include the banking industry, post-secondary educational institutions, and the national laboratories.

### **FISCAL IMPLICATIONS**

The companion Senate Bill 113, proposes an appropriation of \$50 thousand from the general fund to the department of information technology to pay expenses related to the task force activities. The University of New Mexico noted although it is not specifically mentioned in either Senate Bill 113 or Senate Joint Memorial 9, there are potentially significant costs to implement blockchain technology in the areas being evaluated, and it would be advisable to include an analysis of future budgetary implications as part of the evaluation.

The Economic Development Department (EDD) raised concerns regarding the lack of funding for the task force and the administrative burden on staff to administer the task force and prepare a report. EDD estimates staff participation in the task force would create an operating budget impact of \$20 thousand in fiscal year 2020 and fiscal year 2021.

The Secretary of State (SOS) stated the formation of the taskforce has no fiscal implication to its office.

### **SIGNIFICANT ISSUES**

The Attorney General’s office noted Senate Joint Memorial 9 describes the potential benefits and risks associated with blockchain technology and it outlines the reasons for the establishment of the requested task force. The memorial identifies numerous concerns about blockchain technology from worker displacement to the inadequacy of the current statutory and regulatory framework.

New Mexico State University stated consideration for more cybersecurity expertise from higher education could strengthen the taskforce.

The SOS is generally supportive of information and technological advances to more efficiently run the state's elections and to provide the most up-to-date security protections for the citizens of New Mexico.

### **PERFORMANCE IMPLICATIONS**

Senate Joint Memorial 9 requires the task force to report its findings to the interim legislative committee associated with economic and rural development issues by September 1, 2021.

The Economic Development Department (EDD) stated the task force should communicate the findings to the department to better inform small science and technology business that will be most affected. EDD noted the task force should also present its finding to the interim legislative science, technology and telecommunications committee.

The companion bill terminates the blockchain technology task force on October 1, 2021, where the joint memorial does not have a termination date.

### **ADMINISTRATIVE IMPLICATIONS**

With the task force membership being extensive, having several contributing members, it may be difficult to coordinate meetings and lead to a lack of participation. DoIT stated teleconferencing may be needed to mitigate this issue, but all members of the task force would need to have access to teleconferencing. Also, conflicting priorities and primary responsibilities of the members may lead to limited participation.

### **TECHNICAL ISSUES**

Because each block is a record of transactions of specific data, which can contain anything from voting records to medical data, cybersecurity controls and standards need to be adopted for organizations using blockchain technology to protect their organizations from external attacks.

### **OTHER SUBSTANTIVE ISSUES**

The National Conference of State Legislators (NCSL) reported 28 states have introduced legislation relating to blockchain in 2019. Twenty-seven bills and resolutions have been enacted or adopted. Several states including California, Connecticut, and Wyoming legislatively created task forces to study blockchain technology. Kentucky's legislation requires a comprehensive study of and subsequent plan to deal with blockchain technology.

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

The state may have limitations in making informed decisions about blockchain technology and could impact the state's ability to plan effectively for the future.

BF/al/sb