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FISCAL IMPACT REPORT

SPONSOR Romero, A./Martinez, J./Chandler **LAST UPDATED** _____
ORIGINAL DATE 2/16/2025
SHORT TITLE Cannabis Business & Labor Peace Agreement **BILL NUMBER** House Bill 331
ANALYST Hanika-Ortiz

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT* (dollars in thousands)

Agency/Program	FY25	FY26	FY27	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
RLD/CCD	No fiscal impact	At least \$40.0	At least \$40.0	At least \$80.0	Recurring	Other state funds

Parentheses () indicate expenditure decreases.

*Amounts reflect most recent analysis of this legislation.

Relates to House Bills 10 and 112

Sources of Information

LFC Files

Agency Analysis Received From
Regulation and Licensing Department (RLD)

SUMMARY

Synopsis of House Bill 331

House Bill 331 (HB331) enacts a new section under Section 26-2C-34.1 NMSA 1978 (Cannabis Regulation Act) to require a cannabis establishment with ten or more employees to enter into a labor peace agreement (LPA) with a labor organization of which a violation may result in the loss of its licensure. On or after September 1, 2025, the Cannabis Control Division (CCD) shall not renew a license for the cannabis establishment unless they are abiding by the terms of an LPA.

If CCD finds that a cannabis establishment is not abiding by an LPA, it will suspend the establishment's license. The LPA must specify: 1) for the cannabis establishment, that it shall not disrupt attempts by the labor organization to unionize employees and shall provide access to meet with employees; and 2) for the labor organization, that it shall not picket, boycott or use other business interference tactics.

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

CCD anticipates that the new requirements for initial licensure and renewals would cost approximately \$40 thousand from the enhancement to its online NM Plus licensing system. CCD would also bear the administrative burden to determine the minimum requirements for an LPA, and may need compliance officers to help enforce the LPAs, which may exceed its current budget and require higher licensing fees in the future from cannabis businesses. New Mexico has over 1,000 cannabis dispensaries; no data is available how many of those dispensaries employ 10 or more individuals.

SIGNIFICANT ISSUES

RLD cautioned that on Page 2, Section 1(E), labor organizations must attest that the cannabis establishment is abiding by an LPA as a condition of that establishment's licensure. There is the potential that the labor organization could veto an applicant's ability to obtain a license, or deny a licensee's ability to renew its license, by refusing to enter into an LPA with an applicant or licensee.

LPAs help establish fair labor practices but can increase labor costs for startups. In the cannabis industry, those costs will likely be shifted to consumers. In addition to the risk of paying higher wages, LPAs may also limit a business's ability to oppose or offer alternatives to unionization.

Presumably, labor organizations could file complaints with labor boards to take legal action if businesses violate an LPA. In similar industries, LPAs appear to be required by more state and local governments as a condition for licensure. Compliance with LPAs requires legal resources on both sides to help with negotiations. Labor organizations may push for improved workplace safety from occupational hazards inherent in this industry, augmenting state workplace safety rules.

ADMINISTRATIVE IMPLICATIONS

CCD would be required to promulgate rules for guidelines on how businesses comply.

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

This bill relates to House Bill 10 (Cannabis Enforcement), giving CCD law enforcement authority.

This bill relates to House Bill 112 (Cannabis Licensure Changes), adding stricter requirements for licensure including criminal background checks.

AHO/rl