

LFC Requester: _____

AGENCY BILL ANALYSIS - 2025 REGULAR SESSION

WITHIN 24 HOURS OF BILL POSTING, UPLOAD ANALYSIS TO

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(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: 1/23/2025 *Check all that apply:*
Bill Number: HB 112 Original Correction
Amendment Substitute

Sponsor: Rep. Tara L. Lujan **Agency Name and Code Number:** Office of the State Engineer 550
Person Writing Analysis: Nat Chakeres
Short Title: Cannabis Licensure Changes **Phone:** 505-231-4459 **Email:** Nathaniel.chakeres@ose.nm.gov

SECTION II: FISCAL IMPACT

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Nonrecurring	Fund Affected
FY25	FY26		
NFI	NFI	N/A	N/A

(Parentheses () indicate expenditure decreases.)

REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Nonrecurring	Fund Affected
FY25	FY26	FY27		
None	None	None	N/A	N/A

(Parentheses () indicate revenue decreases.)

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY25	FY26	FY27	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
Total	NFI	300	300	600	Recurring	General

(Parentheses () indicate expenditure decreases.)

Duplicates/Conflicts with/Companion to/Relates to: N/A

SECTION III: NARRATIVE

BILL SUMMARY

Synopsis: This bill amends various provisions of the Cannabis Regulation Act. The one portion of the bill that affects the Office of the State Engineer is Section 4, which would amend NMSA 1978, § 26-2C-7. Subsection 3 of the current statute requires applicants for cannabis producer and producer microbusiness licenses to demonstrate that they have a legal water supply for the business.

The bill, if passed, would amend the law to require all “applicants” to demonstrate that they have a legal water supply. This would include applicants for licenses to operate cannabis consumption areas, cannabis couriers, cannabis manufacturers, cannabis research laboratories, cannabis retailers, cannabis servers, cannabis testing laboratories, cannabis training and education programs, integrated cannabis microbusinesses, and vertically integrated cannabis establishments.

FISCAL IMPLICATIONS

As explained above, this bill, if enacted, would significantly increase the number of license applicants who would need to demonstrate that they have a legal water supply. The OSE works with the Regulation and Licensing Department to review and check the water supply paperwork submitted by applicants. Because a large number of additional license applicants would need to demonstrate their water supply, the OSE estimates that it would need an additional two (2) FTEs to process the additional applications. With indirect costs and the cost of benefits, OSE is estimating each FTE to cost the agency \$150,000 per year.

SIGNIFICANT ISSUES

The Cannabis Regulation Act currently requires applicants for licensure as cannabis producers or cannabis producer microbusinesses to demonstrate that they have legal access to sufficient water to support their operations. The reason for this requirement is that cannabis cultivation can require significant amounts of water and, if using drip irrigation, can result in fewer return flows than traditional flood irrigation.

These water needs, however, are more acute for cannabis production (which includes the cultivation of the actual plants) than in the manufacture, testing, handling, or sale of cannabis products. Under the bill, the need to demonstrate a legal water supply would extend to all of these other types of cannabis licensees. This would add to the complexity of those licenses, and potentially slow the licensure process for those applicants, without a significant benefit in terms

of protecting the water supply. There is no reason to believe that a cannabis laboratory or retail establishment, for example, would use appreciably more water than any other laboratory or retail establishment, which typically receive their water from municipal water sources.

PERFORMANCE IMPLICATIONS

None.

ADMINISTRATIVE IMPLICATIONS

None.

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

None.

TECHNICAL ISSUES

The statute as currently drafted contains a typo in 26-2C-7(3). The statute begins, “if a cannabis producer or cannabis producer microbusiness. . . .” The statute should read, “For a cannabis producer or cannabis producer microbusiness. . . .”

OTHER SUBSTANTIVE ISSUES

None.

ALTERNATIVES

None.

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

The existing statutory provisions regarding cannabis licensure will remain in place.

AMENDMENTS

The following amendment would address the significant issue and the technical issue identified above:

On page 24, line 22, remove the strikethrough beginning at “a”.

On page 24, line 22, add before “a” the following: “(2) For”.