LFC Requester:	Davidson

AGENCY BILL ANALYSIS - 2025 REGULAR SESSION

WITHIN 24 HOURS OF BILL POSTING, UPLOAD ANALYSIS TO
AgencyAnalysis.nmlegis.gov and email to **billanalysis@dfa.nm.gov**
(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: *3/3/2025*
Bill Number: *HB346CS*

Check all that apply:
Original __ Correction __
Amendment __ Substitute *X*

Sponsor: Romero, Lente

Agency Name and Code Number: New Mexico Environment Department 667

Person Writing Johnathan Gerhardt

Short Title: HEMP PRODUCTS & SYNTHETIC CANNABINOIDS

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SECTION II: FISCAL IMPACT

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Nonrecurring	Fund Affected
FY25	FY26		
0	0		

(Parenthesis ( ) indicate expenditure decreases)

REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Nonrecurring	Fund Affected
FY25	FY26	FY27		
$26	$145	$70	Recurring	Environmental Health Fund

(Parenthesis ( ) indicate revenue decreases)

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY25	FY26	FY27	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected

Total		$140	$140	$420	Recurring	Environmental Health Fund

(Parenthesis ( ) Indicate Expenditure Decreases)

Duplicates/Conflicts with/Companion to/Relates to:
Duplicates/Relates to Appropriation in the General Appropriation Act

SECTION III: NARRATIVE

BILL SUMMARY

Synopsis: The Committee Substitute for HB346 is essentially identical to the original bill but clarifies the transfer of rulemaking authority from NMED to the Environmental Improvement Board (EIB) on July 1, 2025.

The substitute makes it clear that NMED maintains rulemaking authority until July 1, 2025, and that authority is then transferred to the EIB. It also clarifies that NMED has rulemaking authority over hemp retailers until July 1, 2025. Rules adopted by NMED shall remain in effect until the EIB amends or repeals those rules.

House Bill 346 (HB346) amends the Hemp Manufacturing Act (Act) by authorizing the Environment Department (NMED) to regulate the sale of hemp finished products at retail locations, authorizing the Environmental Improvement Board (EIB) to assume rule promulgation responsibility related to the manufacturing, sale and distribution of hemp extract, hemp products, and finished hemp products, by creating penalty authority for violations of promulgated rules, by adding and clarifying definitions, excluding hemp seed products from the Act, prohibiting semi-synthetic and synthetic cannabinoids, and by making essential technical/conforming changes. HB346 will assure greater public safety and fairness in the marketplace of all hemp products, by ensuring all products meet required standards, whether manufactured in-state or out-of-state. Declaring an emergency.

FISCAL IMPLICATIONS

The directives for NMED in HB346 will require one FTE in NMED to provide technical expertise, training, compliance assistance, inspection, and compliance assurance capabilities. The estimated annual cost of one FTE is $140,000. NMED anticipates collecting $100,000 for initial retail hemp registrations and an average of $70,000 annually in fees over three fiscal years from the annual renewal of permits and registrations pursuant to the Act.

SIGNIFICANT ISSUES

NMED's experience implementing the Act since 2019 and current industry trends led to the provisions in HB346 for improving the safety of hemp products manufactured and sold in New Mexico. Synthetic and semi-synthetic cannabinoids (Synthetics), such as the delta-8-THC, have become popular in the past several years. Synthetics are often manufactured from hemp and therefore fall under hemp regulations. Synthetics are not currently regulated in NM because they are not addressed in the Act, but are increasingly being regulated by states, as the dangers of manufacturing and the unknowns of consumption (inhalation or ingestion) have been highlighted

with increasing frequency.

Synthetics are manufactured using hazardous chemicals which have not been evaluated or approved by the FDA for use in human consumables. The hazardous chemicals used to manufacture Synthetics present significant dangers to employees in production plants and may present significant negative health effects to consumers of the products.

HB346 authorizes NMED to regulate Synthetics manufactured in New Mexico and products manufactured in other states/countries and are imported into New Mexico. It will allow NMED to ensure products manufactured out-of-state and sold in New Mexico are subject to the same standards as New Mexico manufacturers under the Act. Requiring all hemp products to meet New Mexico standards helps ensure that out-of-state products are equally safe for New Mexicans and helps support New Mexico businesses by leveling the playing field between in state and out-of-state manufacturers. Additionally, HB346 includes provisions that allow NMED to remove unsafe hemp products from sale and assess penalties to manufacturers, distributors, and retailers that violate the Act and its rules. This is especially important for any out-of-state hemp products containing unsafe Synthetics and excess THC for sale by New Mexico retailers.

HB346 also changes the definition of 'hemp finished product,' which allows adopted rules that regulate hemp products intended for ingestion or inhalation. HB346 also defines 'hemp retailer' and 'consumer' to clearly define what a hemp retail operation is. HB346 also replaces the term 'intermediate hemp-derived product' with 'hemp extract'; this definition, along with the updated definition of 'hemp finished product' ensures the rules adopted pursuant to the Act will not regulate hemp products used in textiles and building material, such as hempcrete, which are products that were not intended to be included in the Act's regulatory coverage.

HB346 changes the rulemaking body to implement the provisions of the Act from NMED to EIB beginning July 1, 2025. The EIB is the deliberative body that historically considers rules for NMED relating to food and food-like products.

PERFORMANCE IMPLICATIONS

The Act will require NMED to respond to complaints and perform investigations and enforcement actions against hemp manufacturers and hemp retailers that do not comply with the Act or promulgated rules. Without additional resources, NMED will need to continue using existing staff to begin regulating the hemp retail market.

ADMINISTRATIVE IMPLICATIONS

Beginning July 1, 2025, NMED will petition the EIB to amend current rules to include Synthetics and the sale and distribution of finished hemp products at retail, and to implement penalties for violations of promulgated rules. NMED would conduct public information hearings prior to the EIB hearing to inform industry of proposed changes, receive feedback, and incorporate changes into the proposed amended rule prior to submission to the EIB for adoption. NMED would be responsible for implementing and enforcing the requirements of the EIB adopted rule to ensure the protection of public health and safety.

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

None identified.

TECHNICAL ISSUES

None identified.

OTHER SUBSTANTIVE ISSUES

None identified.

ALTERNATIVES

None identified.

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

Consumers, specifically minors, will continue to have the ability to purchase intoxicating and potentially hazardous products from retail locations throughout the state. Out-of-state products, including Synthetics, will continue to be distributed and sold at retail facilities without meeting defined standards that New Mexico-based manufacturers must meet. This leaves the public vulnerable to buying unsafe and dishonestly presented hemp finished products and puts New Mexico-based manufacturers at a competitive disadvantage compared to out-of-state manufacturers.

AMENDMENTS

None.