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FISCAL IMPACT REPORT

LAST UPDATED _____
ORIGINAL DATE 2/14/2025

SPONSOR Romero/Lente

BILL

SHORT TITLE Hemp Products & Synthetic Cannabinoids **NUMBER** House Bill 346

ANALYST Davidson

REVENUE* (dollars in thousands)

Type	FY25	FY26	FY27	FY28	FY29	Recurring or Nonrecurring	Fund Affected
	\$26.0	\$145.0	\$70.0	Up to \$70.0	Up to \$70.0	Recurring	Environmental Health Fund

Parentheses () indicate revenue decreases.

*Amounts reflect most recent analysis of this legislation.

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT* (dollars in thousands)

Agency/Program	FY25	FY26	FY27	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
NMED	No fiscal impact	\$140.0	\$140.0	\$280.0	Recurring	Other state funds

Parentheses () indicate expenditure decreases.

*Amounts reflect most recent analysis of this legislation.

Sources of Information

LFC Files

Agency Analysis Received From

New Mexico Environment Department (NMED)

Regulation and Licensing Department (RLD)

SUMMARY

Synopsis of House Bill 346

House Bill 346 (HB346) proposes to amend the Hemp Manufacturing Act (Section 76-24-4 NMSA 1978), authorizing the New Mexico Environment Department (NMED) to regulate the sale of hemp finished products. The bill also authorizes the Environmental Improvement Board (EIB) to promulgate rules regarding the manufacturing, sale, and distribution of hemp extract, projects, and hemp finished products. The bill also excludes hemp seed products from the Hemp Manufacturing Act, prohibits semi-synthetic and synthetic cannabinoids, and makes technical changes to the act as well.

This bill contains an emergency clause and would become effective immediately on signature by the governor.

FISCAL IMPLICATIONS

NMED analysis notes implementation of House Bill 346 would require one additional FTE for the agency, resulting in an increase of \$140 thousand in the agency's recurring budget. NMED analysis further notes it estimates it will collect \$100 thousand from initial retail hemp registrations and then an average of \$70 thousand in fees over the next fiscal years for renewal of permits and registrations.

Analysis from the Regulation Licensing Department (RLD) notes it could not accurately estimate the fiscal impact of House Bill 346, due to the passage of the bill possibly increasing the enforcement workload of its Cannabis Control Division but the agency did not foresee any significant budget increases needed to accommodate the possible workload.

SIGNIFICANT ISSUES

NMED analysis notes House Bill 346 adds regulatory authority over synthetic cannabinoids which are now more popular in hemp products. Synthetic manufacturing can be dangerous, and unknowns surround healthy consumption, either inhalation or ingestion, also have increased in their frequency. NMED analysis notes House Bill 346 will enable the department to regulate hemp products to meet the state's standards, for in- and out-of-state products. NMED notes that the bill's new provisions for the agency to remove unsafe hemp products and assess penalties related to infractions will provide greater accountability in the industry.

NMED analysis further indicates that HB346's newly clarified definitions of hemp finished product, retailer, and consumer align with current statute and practice, and provide the correct exemptions regarding hemp products in textiles and building materials.

Analysis from RLD notes current licensees under the Cannabis Regulation Act (CRA) are allowed to conduct other licensed activities included under the Hemp Manufacturing Act and the Liquor Control Act (with exemptions for co-location activities). RLD analysis notes the Cannabis Control Division will need to coordinate with EIB to ensure the new hemp finished products and the rulemaking on them ensure clarity regarding allowable conduct under the CRA.

Finally, RLD analysis explains that its Cannabis Control Division needs to coordinate with EIB in adopting rules for the use and disposal of hemp-derived material, hemp extract, and hemp finished products containing THC levels of more than 0.3 percent. Further, RLD analysis cautions against the overlap of regulatory authority: the rules EIB adopts need to ensure the products with above 0.3 percent THC are lawfully processed/possessed and follow the rules outlined in the CRA.

AD/hj/SR