

LFC Requester:	Noah Montano
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**AGENCY BILL ANALYSIS
2025 REGULAR SESSION**

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SECTION I: GENERAL INFORMATION

{Indicate if analysis is on an original bill, amendment, substitute or a correction of a previous bill}

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

Date January 25, 2025
Bill No: HB 10

Sponsor: Gallegos, Martinez, Armstrong,
Matthews and de la Cruz
Short Title: RLD Cannabis Enforcement

Agency Name and Code Number: Regulation and Licensing
Department – 420
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SECTION II: FISCAL IMPACT

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Nonrecurring	Fund Affected
FY25	FY26		
	1,500	Nonrecurring	General Fund

(Parenthesis () Indicate Expenditure Decreases)

REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Nonrecurring	Fund Affected
FY25	FY26	FY27		
N/A	N/A	N/A	N/A	N/A

(Parenthesis () Indicate Expenditure Decreases)

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY25	FY26	FY27	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
Total		1,778	1,313	3,091	Part Recurring, Part Nonrecurring	Government Result and Opportunity Expendable Trust/General Fund*

(Parenthesis () Indicate Expenditure Decreases)

Duplicates/Conflicts with/Companion to/Relates to:

Duplicates/Relates to:

Please note that an appropriation is currently included in 2025 HB2 the General Appropriation Act of 2025. [* See Section 9, Government Results and Opportunity Expendable Trust, Subsection (A)(6), at page 220.]

SECTION III: NARRATIVE

BILL SUMMARY

Synopsis: House Bill 10 (HB10) is legislation that was requested by the Regulation and Licensing Department (RLD) to address pressing needs for additional administrative powers and law enforcement authority necessary to properly regulate the cannabis industry in New Mexico. The provisions of HB10 are designed to provide the RLD with legal tools, material resources and qualified, capable personnel that will allow the RLD to respond swiftly and effectively when evidence is discovered of potential criminal actions and threats to the health and safety of the public.

HB10 adds a new section to the Regulation and Licensing Department Act, §9-16-1 NMSA 1978 *et seq*, creating a new “enforcement bureau” within the Regulation and Licensing Department (RLD) to be staffed by certified law enforcement officers who would be assigned to investigate potential criminal cases arising from the industries and professions under the jurisdiction of the RLD, with a primary emphasis of this new bureau being placed on criminal violations of New Mexico cannabis laws.

HB10 amends the Cannabis Regulation Act (CRA), §26-2C-1 NMSA 1978 *et seq*. to provide the RLD’s Cannabis Control Division (CCD) and the newly created RLD enforcement bureau with specific new regulatory and investigatory powers concerning violations of the CRA. Key new provisions include: Authority to place cannabis products suspected of being adulterated, dangerously or fraudulently misbranded or illegally possessed under administrative holds; authority to seize and take custody of suspected illegal or dangerous cannabis products; and a clear statutory path to obtain orders from the district courts to destroy cannabis products determined to be dangerous or possessed illegally.

HB10 appropriates one million five hundred thousand dollars (\$1,500,000) to

cover the costs associated with activities of the CCD and the new enforcement bureau related to investigations, seizures and the substantial costs involved in safely and thoroughly carrying out the destruction of illegal cannabis products as well as packaging materials, agricultural materials, production materials, solvents, and refuse found in illegal cannabis production and distribution operations.

In greater detail, HB10 amends the RLD Act as follows:

- Establishes an enforcement bureau within the RLD that will be considered a law enforcement agency as defined at §9-19-14 (P)(2), NMSA 1978, and which will be directed by a bureau chief appointed and supervised by the superintendent of RLD.
- Directs the RLD to employ enforcement agents to enforce laws and rules within the scope of industries and professions regulated by the RLD and those boards and commissions administratively attached to the RLD.
- The enforcement bureau shall consist of enforcement agents who are certified law enforcement officers under §9-19-14 (P)(1), NMSA 1978, with the superintendent of the RLD directly responsible for final employment decisions concerning those enforcement agents.
- Enforcement agents in the new enforcement bureau will have the same powers as other law enforcement officers in New Mexico.
- Directs the enforcement bureau to investigate alleged violations of law and report its findings to the superintendent and division directors of the RLD, and boards and commissions as determined by the bureau chief.
- Allows the superintendent to require enforcement agents to receive additional law enforcement training related to cannabis and those other licensed professions and occupations within the jurisdiction of the RLD.

Amends the Cannabis Regulation Act to:

- Direct the CCD and the enforcement bureau to enforce the provisions of the CRA, including conducting unannounced inspections.
- Authorizes the CCD to:
 - Respond to allegations of wrongdoing or initiate investigations on the CCD's own initiative when there are suspected violations of the CRA, provided that the CCD shall refer possible criminal investigations to the enforcement bureau and shall assist the enforcement bureau in investigations and inspections.
 - Collect and take custody for purposes of testing items suspected to contain cannabis when those items are suspected of being adulterated, dangerously or fraudulently misbranded or possessed in violation of the CRA or other state laws.
 - Issue orders restricting the movement of cannabis products that are or suspected of being adulterated or dangerously or fraudulently misbranded.
- Directs the enforcement bureau to investigate referred cases as directed by the chief of the bureau, and authorize the bureau to:

- Embargo or take possession of a cannabis product reasonably suspected of being illicit cannabis product or a cannabis product that is adulterated or dangerously or fraudulently misbranded;
 - Take control pursuant to a warrant of a premises where a cannabis product is produced, manufactured, or stored; and
 - Petition the district court for injunctive or other equitable relief.
- Directs the CCD to give sufficient notice to a licensee of its issuance of an order restricting movement of the licensee's cannabis products. Such order shall not be in place longer than necessary for the CCD or enforcement bureau to complete its investigation, and an order restricting the movement of misbranded cannabis products shall be in place only as long as needed for the licensee to relabel or repackage the cannabis product as directed. The CCD may order a recall for cannabis products embargoed due to adulteration or dangerous or fraudulent misbranding.
 - Directs the CCD when embargoing a cannabis product to affix to the product a tag or other marking giving notice that the product is or is suspected of being an illegal cannabis product or is adulterated or dangerously or fraudulently misbranded, and that the product is not to be sold, removed, or otherwise disposed of. When the CCD embargoes or the enforcement bureau seizes a cannabis product, the CCD or bureau shall give written notice to the licensee of the grounds for the embargo or seizure. Neither the CCD nor the bureau shall be required to care for embargoes or seized cannabis products.
 - Allows a licensee aggrieved by an embargo, seizure or recall to request an administrative hearing within ten (10) days from the date the embargo, seizure or recall was executed. The hearing shall be held before a hearing officer. The final agency decision may be appealed pursuant to §39-3-1.1 NMSA 1978. When a determination is made that an embargoed, seized or recalled cannabis product is illegal, adulterated, or dangerously or fraudulently misbranded, the CCD shall petition the district court for condemnation of the cannabis product. If the court orders condemnation the RLD shall destroy the product at the licensee's expense.
 - Defines the following felonies for any person who intentionally, knowingly or recklessly:
 - Removes, conceals, destroys or disposes of a cannabis product subject to an order restricting the movement or embargo is guilty of a fourth degree felony and subject to sentence under §31-18-15 NMSA 1978;
 - Sells, delivers, or transfers a cannabis product subject to recall to another person is guilty of a fourth degree felony and subject to sentence under §31-18-15 NMSA 1978.
 - Authorizes the CCD after an administrative hearing pursuant to the Uniform Licensing Act (ULA) to take disciplinary action against a licensee, including:
 - Suspension or revocation of the license;

- Imposition of an administrative penalty not to exceed ten thousand dollars (\$10,000) per violation;
- Any other disciplinary action allowed under the ULA or the CCD rule.
- Defines “embargo” as to place in a secure location with continuous video monitoring, accessible only by the licensee the CCD and the enforcement bureau. Defines “enforcement bureau” as the enforcement bureau of the RLD.

Appropriates one million five hundred thousand dollars (\$1,500,000) from the general fund to RLD for expenditure in FY26 to enforce the provisions of the CRA, including expenditures necessary to complete the duties associated with embargo, seizure, storage, testing and destruction of cannabis products as provided in the CRA, and the purchase or rental of necessary equipment and facilities and payment of necessary contractual agreements for enforcement purposes. Any unexpended or unencumbered balance remaining at the end of FY26 shall revert to the general fund.

FISCAL IMPLICATIONS

Staffing necessary to stand up the new enforcement bureau within the RLD will consist of six (6) enforcement agents and one (1) enforcement bureau chief. Personnel and operational support costs are expected to total one million three hundred and thirteen thousand dollars (\$1,313,000) annually/recurring beginning in FY26. In addition, a special request for vehicles for the enforcement agents and bureau chief will require four hundred sixty-five thousand dollars (\$465,000) in FY26.

SIGNIFICANT ISSUES

PERFORMANCE IMPLICATIONS

The proposed added authority in this bill will require the RLD to perform operations to identify cannabis products as being adulterated or misbranded. After having found that cannabis products are indeed adulterated or misbranded, the RLD will need to supervise the hold of such products, and in the event of a call for destruction of the product, the RLD will need to supervise the licensee in the destruction. The costs that will necessarily accompany these steps in the process of seizing cannabis products, proper storage of seized products until such time as a court order is obtained for destruction, and carrying out court-ordered destruction activities constitutes the bulk of the basis for the appropriation provision in HB10 for \$1,500,000.

HB10 presents an opportunity to assign a trained, dedicated law enforcement unit to focus on criminal activities linked to cannabis and other regulated industries, thereby giving other law enforcement agencies across the state greater opportunity to devote their efforts to the most critical needs in their communities.

ADMINISTRATIVE IMPLICATIONS

The enforcement bureau created by the bill will be located within the Office of the Superintendent of RLD, and the bureau chief of the enforcement bureau will report to the superintendent. This structure, with the superintendent of the RLD being directly involved in the oversight and direction of the new enforcement bureau, is intentional and designed to ensure accountability for the enforcement bureau at the highest level. The superintendent, and the bureau chief appointed by the superintendent, be responsible for making certain the law

enforcement authority and resources entrusted to the RLD under HB10 are utilized only in appropriate cases and to prudent effect.

The CCD's administrative authority will expand to be able to issue administrative holds and seize or embargo cannabis products when appropriate. The ability to seek and obtain orders from the district courts for the destruction of illegal, adulterated or misbranded products will result in preventing such products from causing harm to the public and keep those materials out of the black market.

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

Companionship/Related to an appropriation currently included in 2025 HB2 the General Appropriation Act of 2025. [See Section 9, Government Results and Opportunity Expendable Trust, Subsection (A)(6), at page 220.]

TECHNICAL ISSUES

OTHER SUBSTANTIVE ISSUES

Providing the RLD with the legal tools and law enforcement authority specified in HB10 will serve to provide a vital resource in the protection of the public health and safety in New Mexico. The important law enforcement and regulatory work that the RLD will be able to accomplish with these new tools will provide a direct impact but will also help other law enforcement agencies across the state by freeing up their resources to focus on other critical needs such as deterring property crime and combating the scourge of violent crime in our state.

ALTERNATIVES

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

The RLD will not have the law enforcement authority or resources to address violations of criminal laws impacting professions and industries under the jurisdiction of the Department and the RLD and CCD will continue to be unable to carry out seizures, embargoes, administrative holds of adulterated, dangerous and illegal cannabis products in our state.

AMENDMENTS