

Fiscal impact reports (FIRs) are prepared by the Legislative Finance Committee (LFC) for standing finance committees of the Legislature. LFC does not assume responsibility for the accuracy of these reports if they are used for other purposes.

FISCAL IMPACT REPORT

SPONSOR	House Commerce and Economic Development Committee	LAST UPDATED	3/6/2025
		ORIGINAL DATE	2/14/2025
SHORT TITLE	Hemp Products & Synthetic Cannabinoids	BILL NUMBER	CS/House Bill 346/ec/HCEDCS
		ANALYST	Davidson

REVENUE* (dollars in thousands)

Type	FY25	FY26	FY27	FY28	FY29	Recurring or Nonrecurring	Fund Affected
License and permit fees	\$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)
Department of Health (DOH)

SUMMARY

Synopsis of HCEDC Committee Substitute for House Bill 346

The House Commerce and Economic Development Committee substitute for 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 after July 1st, 2025, with NMED retaining authority until that point and then administering the new rules once finalized.

The bill also changes the definition of “hemp finished product,” which will allow for updated

adoption of rules regarding them. 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

Analysis from the New Mexico Department of Health (DOH) notes hemp products have become more common since the passage of the federal [Farm Bill](#) in 2018. The bill removed certain concentrations of THC (delta-9-tetrahydrocannabinol) from the definition of marijuana, as defined in the Controlled Substances Act. After passage, other forms of hemp-derived cannabidiol (CBD) became more common, with the products also commonly being synthesized with substances such as delta-8, delta-10, and THC-O acetate, all semi-synthetic THC products which have similar effects to delta-9 THC but have been found to contain harmful chemicals. This resulted in a 2021 health advisory from the Centers for Disease Control and Prevention (CDC) about the adverse effects of some synthetic THC and CBD adjacent products.

DOH notes these potentially harmful synthetics are also found in the state and have been found to be poisonous:

Poison Control Center data cited on CDC's HAN revealed that 660 delta-8 THC cases were reported from January 1 to July 31, 2021, and 18% of those cases required hospitalization. Consumers may not be aware of the psychoactive effects of delta-8 THC, leading to unexpected adverse health events. These CBD-derived products can be found sold online, where the only age restriction is a check box for the purchaser to verify that they are 21 years old, making these products easy to obtain for youth. These products have also been found sold at local smoke shops in NM

DOH further maps out the potential health risks posed by synthetic cannabinoids and some hemp products:

Synthetic cannabinoids also pose a risk to public health. Synthetic cannabinoids can be up to 100 times more potent than delta-9 THC. The CDC has reported hundreds of cases of synthetic cannabinoid intoxication, some of which resulted in death. Synthetic cannabinoids can cause a broad range of adverse effects including psychosis, respiratory depression, cardiac arrest, gastrointestinal problems and seizures. Withdrawal from synthetic cannabinoids can be severe and can require inpatient care.

DOH also notes multiple states have banned or heavily restricted synthetic hemp-derived cannabinoids, closing what many states have highlighted as a “loophole” allowing for the widespread sale of potentially dangerous products.

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.

RLD analysis notes the agency may need to craft inter-agency agreements (memorandums of understanding) between them and NMED to more clearly define the “respective roles and responsibilities for enforcement if prohibited products are identified at CRA licensed locations.”

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.

TECHNICAL ISSUES

DOH the bill needs to clearly delineate the roles RLD and NMED play in regulation of the cannabis market:

House Bill 346 (HB346) must carefully carve out regulatory authority so that the Regulation and Licensing Department’s Cannabis Control Division’s authority over the adult use cannabis market is not impacted by the regulatory authority granted here to Department of Environment for the hemp-derived products and synthetic cannabinoids. THC is currently defined in this legislation as “delta-9-tetrahydrocannabinol” on Page 4 line 21 which may create definition issues throughout the text. The definitions for hemp extract (Page 2 line 21), semi-synthetic cannabinoid (Page 4 line 3), and synthetic cannabinoid (Page 4 line 13) should all be carefully examined to ensure no issues arise in enacting this legislation.