

LFC Requester:

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AGENCY BILL ANALYSIS - 2026 REGULAR SESSION

WITHIN 24 HOURS OF BILL POSTING, UPLOAD ANALYSIS TO

[AgencyAnalysis.nmlegis.gov](https://www.legis.nm.gov/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:** February 13, 2026 *Check all that apply:***Bill Number:** HCEDC Sub for HB 294 Original Correction
Amendment Substitute

Sponsor: Rep. Doreen Y. Gallegos; Sen. Elizabeth "Liz" Stefanics; Rep. Joshua N. Hernandez & Rep. Janelle Anvanonu
Short Cannabis Product Packaging Regulations

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
FY26	FY27		
N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A

REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Nonrecurring	Fund Affected
FY26	FY27	FY28		
N/A	N/A	N/A	N/A	N/A

(Parenthesis () indicate revenue decreases)

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY26	FY27	FY28	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
Total	N/A	N/A	N/A	N/A	N/A	N/A

(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

House Commerce and Economic Development Committee Substitute for HB 294 (HCEDC Sub HB 294)

Synopsis:

The substitute bill changes the original bill in the following ways:

Section 2: Removes the “division-approved licensee logo” requirement and instead allows licensee logos so long as they are not reasonably appealing to minors, shifting from a pre-approval framework to post-enforcement compliance.

Section 3: Restructures the bill by adding a new Section 3 that amends §26-2C-17.1 NMSA 1978 (Misbranding), which was not amended in the original bill. New Section 3 amends §26-2C-17.1 to provide that a cannabis product is misbranded if its packaging or labeling fails to comply with §26-2C-17 NMSA 1978 or administrative rules adopted pursuant to the Cannabis Regulation Act (Act). This creates a direct statutory basis to treat violations of the packaging restrictions as misbranding under the Act.

Section 4: The amendment made to §26-2C-18.1 NMSA 1978 (Adulteration) that appeared as Section 3 in the original HB 294 is renumbered as Section 4 in HCEDC Sub HB294.

Section 5: Previously Section 4 in the original bill. In addition to renumbering, the HCEDC Sub HB 294 modifies this provision to add a good-faith defense, allowing a licensee to avoid liability if the licensee relied on an assurance of compliance from the manufacturer or supplier of a cannabis product later found to be in violation of the new packaging and labeling requirements.

Section 6: Renumbers the effective date provision. The effective date of January 1, 2027, remains unchanged.

Original HB 294:

Synopsis:

House Bill 294 (HB 294) amends and supplements the New Mexico Cannabis Regulation Act (CRA) §26-2C-1 NMSA 1978 *et seq* to establish stricter requirements for cannabis product packaging, labeling, and additives, including limiting the colors used for packaging to only the colors black and white with limited exceptions. HB 294 prohibits the use of bright colors, cartoons, or other imagery on cannabis product packaging that may be reasonably appealing to minors, and the bill prohibits the use of artificial color additives not expressly approved by the Cannabis Control Division (CCD) of the New Mexico Regulation and Licensing Department (RLD).

The bill adds definitions to the CRA necessary to interpret the changes being made to cannabis packaging and food dyes: “artificial color additive,” is defined as a synthetic dye or pigment

not derived from natural food sources; and “cartoon,” is defined as a stylized or anthropomorphic image designed in a manner reasonably appealing to minors.

HB 294 also enacts a new section of the CRA to clarify and strengthen enforcement authority of the CCD for packaging, labeling, and color additive requirements, and makes violations subject to the existing penalty framework under the CRA at §26-2C-8 NMSA 1978. The bill establishes strict liability for CRA licensees, holding them accountable for offering or selling noncompliant products even when those products may be manufactured by a third party. The bill categorizes cannabis products containing prohibited color additives as “adulterated”, while products that fail to meet the updated labeling standards are treated as “misbranded” under existing law. These classifications align the new requirements with established enforcement categories, allowing the CCD and the RLD’s Enforcement Bureau to take timely enforcement action, including the ability to issue orders of embargo and recall, to prevent noncompliant products from remaining on the consumer market.

The bill takes effect on January 1, 2027.

FISCAL IMPLICATIONS

HCEDC Sub. For HB 294: The fiscal implications will be unchanged by the substitute bill.

Original HB 294: HB 294 is not expected to have a significant fiscal impact on the RLD. The RLD will incur limited administrative costs associated with rulemaking and implementation, which are anticipated to be absorbed within existing resources and staffing levels. Enforcement activities related to packaging, labeling, and additive compliance are expected to be conducted by existing staff using current enforcement authorities and processes.

SIGNIFICANT ISSUES

PERFORMANCE IMPLICATIONS

HCEDC Sub. For HB 294: The substitute bill may reduce administrative workload associated with pre-approving licensee logos by eliminating the division-approval requirement. However, the addition of a good-faith defense for third-party manufactured products may increase enforcement complexity by requiring case-by-case evaluation of whether a licensee reasonably relied on an assurance of compliance. This could introduce additional evidentiary review in investigations but is not expected to require additional staffing.

Original HB 294: HB 294 is designed to make the packaging and colors of cannabis products less attractive to children and decrease the likelihood of children consuming cannabis-infused products mistakenly believing those products to be regular candy or snacks. Similarly, by limiting the colors of packaging of cannabis products to only black and white, it will be easier for parents, teachers, or other adults to quickly recognize that a product contains cannabis (as opposed to being some common candy or snack food) and keep that product away from children.

HB 294 is expected to improve regulatory efficiency and compliance consistency by clearly categorizing certain violations as “adulterated” or “misbranded” under existing law. Aligning new packaging, labeling, and color additive requirements with established enforcement categories is expected to reduce the time and resources required to address noncompliant products and allow enforcement actions to occur earlier in the compliance process. HB 294 is not expected to require

significant changes to enforcement workflows or staffing at the RLD and is anticipated to be implemented using existing personnel and procedures.

ADMINISTRATIVE IMPLICATIONS

HCEDC Sub. For HB 294: The Substitute bill maintains the same core administrative responsibilities related to embargoes, recalls, and enforcement of packaging, labeling, and artificial color additive requirements. The removal of the logo pre-approval requirement may reduce front-end administrative review; however, the addition of a good-faith defense may require additional documentation review and case-by-case analysis during enforcement proceedings. These duties are expected to be managed within existing enforcement authorities, administrative procedures, and staffing levels.

Original HB 294: HB 294 may require the RLD, through the CCD and RLD Enforcement Bureau, to manage additional embargoes, recalls, and related enforcement actions involving noncompliant cannabis products, as new packaging, labeling, and color additive requirements are implemented and incorporated into routine compliance reviews. These activities are expected to be conducted using existing enforcement authorities, administrative procedures, and case-management processes. Implementation of the bill will involve coordination between the CCD, Enforcement Bureau and the Administrative Services Division of the RLD for compliance monitoring, records management, and enforcement support; however, no new enforcement programs, staffing increases, or administrative infrastructure are anticipated. The RLD expects these responsibilities to be absorbed within existing operational and administrative resources.

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

TECHNICAL ISSUES

OTHER SUBSTANTIVE ISSUES

HCEDC Sub HB 294 continues to have an effective date of January 1, 2027. This date was chosen to allow current CRA licensees time to adjust their packaging and manufacturing processes to comply with the new limitations on product packaging and artificial color additives. Licensees will have ten (10) months to exhaust existing packaging materials and/or cannabis products already in stock before the new requirements are enforced. This delay in the implementation date of the bill gives appropriate consideration to the financial constraints of licensees, allowing them adequate time to prepare and transition to the new requirements of HCEDC Sub HB 294.

ALTERNATIVES

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

HCEDC Sub for HB 294: The consequences of not enacting the bill are unchanged by the substitute bill. If the bill is not enacted, existing packaging and labeling standards under the CRA would remain in place; however, the law would continue to lack explicit statutory standards addressing the use of color additives and the additional focus on youth prevention objectives provided by this bill. The absence of clear statutory classification of prohibited color additives as “adulterated” and certain labeling violations as “misbranded” may limit the RLD’s ability to

address noncompliant products in a timely and efficient manner, requiring more resource-intensive enforcement pathways and increasing the likelihood that such products remain on the consumer market during enforcement processes.

AMENDMENTS