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FISCAL IMPACT REPORT

BILL NUMBER: CS/House Bill 294/HCEDCS

SHORT TITLE: Cannabis Product Packaging Regulations

SPONSOR: House Commerce and Economic Development Committee

LAST ORIGINAL
UPDATE: 2/13/2026 **DATE:** 2/4/2026 **ANALYST:** Montano

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT* (dollars in thousands)

| Agency/Program | FY26 | FY27 | FY28 | 3 Year Total Cost | Recurring or Nonrecurring | Fund Affected |
|-------------------------------|------------------|------------------|------------------|-------------------|---------------------------|---------------|
| RLD/Cannabis Control Division | No fiscal impact | No fiscal impact | No fiscal impact | | | |

Parentheses () indicate expenditure decreases.

*Amounts reflect most recent analysis of this legislation.

Sources of Information

LFC Files

Agency or Agencies Providing Analysis

Regulation and Licensing Department (Original Bill)

Department of Public Safety (Original Bill)

Because of the short timeframe between the introduction of this bill and its first hearing, LFC has yet to receive analysis from state, education, or judicial agencies. This analysis could be updated if that analysis is received.

SUMMARY

Synopsis of HCEDC Substitute for House Bill 294

The House Commerce and Economic Development Committee substitute for House Bill 294 (HB294/HCEDC) amends the New Mexico Cannabis Regulation Act (CRA) 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. HB294/HCEDC also 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).

HB294/HCEDC accomplishes these changes by adding definitions to the CRA for “artificial color additive” and “cartoon” and expands requirements under Section 26-2C-17 (Cannabis Products—Packaging and Labeling—Division Rulemaking) to introduce new packaging requirements. These requirements highlight that all cannabis product packaging shall be limited

to only the use of black and white for all elements of the packaging. The use of color can be used for mandated warning statements, or safety symbols, universal cannabis symbol or other standardized regulatory marks. It should also be noted that HB294/HCEDC does not restrict licensees from using color in their logos, if the logo does not contain imagery that is appealing to minors. HB294/HCEDC also adds language that requires the fonts used on cannabis packaging to be plain and not stylized to be appealing to minors. This expansion of section 26-2C-17 also prohibits the use of any cartoons, imagery, color schemes or branding not related to cannabis, or holographic or other visually dynamic effects. However, if the licensee sold such products in good faith based on an assurance of compliance by the manufacturer or supplier, then the licensee would not be liable for the repercussions of selling such products.

The effective date of this bill is January 1, 2027.

FISCAL IMPLICATIONS

The Regulation and Licensing Department (RLD) explains the enactment of HB294/HCEDC is not expected to have a significant effect on the agency. RLD will incur limited administrative costs related to rulemaking and implementation, but the agency is anticipating these costs to be absorbed within existing resources. RLD also explains the new enforcement activities entailed in HB294/HCEDC are expected to be conducted by CCD's existing staff.

Non-state agencies and corporations that manufacture, produce, and sell cannabis products would experience the fiscal implications associated with HB294/HCEDC. However, because of the delay in the implementation date of HB294/HCEDC, RLD believes that it is enough time for licensees to properly adjust to the new packaging requirements. From RLD:

HB294 has an effective date of January 1, 2027, 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 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 HB294.

SIGNIFICANT ISSUES

RLD notes:

HB294 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.

The Department of Public Safety (DPS) states:

The Department of Public Safety supports HB294. The bill establishes clear and enforceable cannabis packaging standards that assist law enforcement in identifying violations and help reduce youth access and accidental exposure. These provisions House

Bill 294 – Page 3 strengthen the state’s ability to protect children and families by promoting consistent compliance and improving public safety outcomes. Any additional enforcement responsibilities are expected to be minimal and can be managed within existing resources. This is a much needed addition to the current law governing cannabis sales.

PERFORMANCE IMPLICATIONS

RLD explains:

HB294 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. HB294 is not expected to require significant changes to enforcement workflows or staffing at RLD and is anticipated to be implemented using existing personnel and procedures.

ADMINISTRATIVE IMPLICATIONS

RLD explains:

HB294 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.

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