



**State of Arkansas
Department of Finance and Administration
Fiscal Impact Statement**

Bill: SB533

Bill Subtitle: TO PROVIDE FOR THE REGULATION OF CONSUMABLE HEMP PRODUCTS BY THE ARKANSAS TOBACCO CONTROL BOARD; TO AMEND THE ARKANSAS LAW TO ALLOW THE REGULATION AND PURCHASE OF CONSUMABLE HEMP PRODUCT; AND TO DECLARE AN EMERGENCY.

Sponsors:

Sen. Dees and Rep. Gazaway

Basic Change:

Presently, ongoing litigation has stayed the enforcement of Act 629 of 2023 (Act 629) which sought to ban the sale of certain intoxicating hemp products, with a back-up regulation on the sale of those hemp products if the ban were to be struck down by a court. SB533 amends the framework for Act 629. All provisions of SB533 are subject to the contingent effective date with trigger language contained therein.

SB533 states that Arkansas Tobacco Control (ATC) shall regulate and enforce the sale of consumable hemp products in Arkansas including issuing permits to sell, conducting inspections, and imposing penalties on those who violate the provisions of this bill. This bill creates a consumable hemp manufacturer, wholesaler, and retailer permit. The bill imposes a \$5,000 permit fee on each permit, with annual renewal by June 30th of each year. "Consumable hemp product retailer", "consumable hemp product wholesaler", and "consumable hemp product manufacturer" are all defined on page 6, lines 12-36 of the bill. These definitions establish a three-tier system, similar but different to the one currently used to regulate the tobacco industry in Arkansas, denoting that a wholesaler cannot also be a retailer and vice versa.

SB533 requires product testing for its cannabinoid profile, pesticides, microbials, heavy metals, and any non-hemp-based substance. Rulemaking to enforce these testing requirements is made mandatory on the Director of ATC.

SB533 prohibits and criminalizes the sale of consumable hemp products to a minor.

Lastly, SB533 establishes a product directory to be maintained by the Board. Any consumable hemp product that does not appear on the directory may not be sold in Arkansas. There is no registration fee or subsequent annual fee to register a consumable hemp product on the directory. All permit fees and civil penalties collected by ATC under SB533 would be deposited into the Arkansas Tobacco Control Revenue Fund.

Fiscal Impact:

There would be no loss of General Revenue or Special Revenue resulting from the passage of SB533.

The regulatory framework for consumable hemp outlined in the bill would only be effective upon the Arkansas Attorney General certifying the occurrence of certain contingent events specified in the bill



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related to ongoing litigation involving Act 629 of 2023 or certain U.S. Congressional action pertaining to hemp. DFA's expenses for enforcing the bill's regulatory framework are projected to be no more than SB533's permit fees of \$5,000 per retailer. Accordingly, the bill is not expected to have any net increase to DFA's budget.

Taxpayer Impact:

Arkansans can be better assured of the contents of consumable hemp derived products under this regulatory framework, that these products will not be marketed to minors, and that there will be strict consequences for selling these products to minors.

Resources Required:

If the litigation is not successful in the State's appeal and a regulatory framework is in place, there would be associated enforcement costs, but the agency expects those expenses would be covered by the permit fees brought in at \$5,000 per retailer, manufacturer, and wholesaler.

Time Required:

None at this time due to the contingent effective date and trigger language. If a regulatory framework is put in place at some point in the future, ATC would need time to promulgate rules and create hemp permit applications.

Procedural Changes:

None at this time, due to the contingency clause. If a regulatory framework is put in place at some point in the future, ATC would undergo training and education to inform staff and industry members of the changes.

Other Comments:

There is no registration fee or subsequent annual fee to register a consumable hemp product on the directory outlined in the SB533.

Legal Analysis:

None.