



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

Bill: HB1578

Bill Subtitle: TO ESTABLISH THE ARKANSAS HEMP BEVERAGE ACT.

Sponsors:

Rep. Pilkington and Sen. Bryant

Basic Change:

HB1578 creates the Arkansas Hemp Beverage Act to provide a framework for regulation of hemp-based beverages by the Alcoholic Beverage Control Division of the Department of Finance and Administration (ABC). The bill defines "hemp-based beverage" as a liquid product for human consumption that contains hemp-derived cannabinoids, commensurate with the federal Agriculture Improvement Act of 2018. Hemp-based beverage products must not contain more than 0.3% of delta-9 tetrahydrocannabinol on a dry-weight basis and must be product-tested by an independent laboratory to verify compliance.

HB1578 authorizes ABC to:

- Issue permits to manufacturers, wholesalers, and retailers; and
- Enforce compliance through routine inspections, audits, and product testing with penalties for failure to comply including immediate stop-sale orders, confiscation, and enforcement authorities currently provided in § 3-2-201 et seq.

A manufacturer is a licensed entity authorized to manufacture hemp-based beverages. An in-state manufacturer of a hemp-based beverage must obtain a permit from ABC. An out-of-state manufacturer must hold a permit from the regulatory agency in the state in which it is based. A manufacturer must:

- Submit proof of compliance with state and federal hemp laws;
- Provide a certificate of analysis for each product batch; and
- Ensure manufacturing facilities comply with Department of Health food safety rules.

A manufacturer must place on the packaging:

- A QR code linking the product to the certificate of analysis by an independent laboratory;
- The delta-9 tetrahydrocannabinol and cannabidiol content per serving; and
- The batch number and expiration date.

A hemp-based product label cannot be attractive to children through cartoons or bright colors or resemble alcoholic beverages or candy products.

A wholesaler is a licensed entity authorized to distribute hemp-based beverages to retailers under the three-tier system for alcoholic beverages. A wholesaler must:

- Purchase from a licensed manufacturer;
- Sell products only to licensed retailers; and
- Maintain records of all transactions for inspection.



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A retailer is a licensed entity authorized to sell hemp-based beverages directly to consumers. A retailer must purchase products only from a licensed wholesaler and is prohibited from producing or distributing a hemp-based beverage. Hemp-based beverages may only be sold to individuals 21 years of age or older by a retailer. Hemp-based beverages may be sold off-premises by a retailer only if authorized by ABC.

The bill requires that ABC promulgate rules to (1) implement licensing procedures for manufacturers, wholesalers, and retailers; (2) establish standards for product testing, labeling, and advertising; and (3) establish reporting and recordkeeping requirements for licensed entities.

Fiscal Impact:

ABC would need to set the fee for the permits by rule as none are listed in the bill. ABC would collect additional application fees for the three new hemp beverage permits created.

Taxpayer Impact:

The manufacture and sale of hemp-based beverages would be authorized subject to the three-tier system and regulation by ABC.

Resources Required:

ABC may require additional administrative staff to create and process the new hemp beverage applications and an additional attorney to specialize in laws relating to regulation of hemp products. ABC Enforcement may need additional agents and auditors to track and monitor the sales of hemp beverage products.

Time Required:

ABC will need sufficient time to promulgate rules creating licensing procedures, standards for testing and labels, and reporting requirements for the permittees, which may take several months to research, draft, and promulgate.

Procedural Changes:

The Administration and Enforcement staff of ABC would be trained on the new applications and inspection procedures for the newly regulated hemp products.

Other Comments:

None.

Legal Analysis:

None.