

SUBJECT: Regulating products derived from hemp

COMMITTEE: State Affairs — committee substitute recommended

VOTE: 11 ayes — King, Anchía, Darby, Y. Davis, Geren, Hull, McQueeney, Metcalf, Raymond, Thompson, Turner

0 nays

3 absent — Hernandez, Guillen, Phelan

1 present not voting — Smithee

SENATE VOTE: On final passage (March 19) — 26 – 5

WITNESSES: For — Aubree Adams, Citizens for a Safe and Healthy Texas; Jesse LeBlanc, Every Brain Matters; and 10 individuals (*Registered, but did not testify*: Ammar Yousaf, Aa Jasani LLC; Peter Salatich, Anheuser-Busch; Ellisia Dart, Alexzandra Davis and Summorlyn Primes, Bahama Mama; Melissa Shannon, Bexar County Commissioners Court; Christal Wilson, Citizen’s For A Safe And Healthy TEXAS; Yogendrakumar Patel, City Smoke Shop; Dr Paul Chabot, Coalition for a Drug Free Texas; Jennifer Szimanski, Combined Law Enforcement Associations of Texas (CLEAT); James Parnell, Dallas Police Association; Nick Fallon, Goodblend Texas; James Kershaw, Harris County Deputies' Organization FOP #39; Ray Hunt, Houston Police Officers’ Union; Bobbie Vickery, Sheriffs Association of Texas; Bo Stallman, Sheriffs’ Association of Texas (SAT); Arman Jasani, Smoke Zone; Nicole Holt, Texans for Safe and Drug-Free Youth; Osman Moradel, Texas AFT; Cindi Castilla, Texas Eagle Forum; Lindy McGee, Texas Medical Association and Texas Pediatric Society; Steve Dye and Scott Rubin, Texas Police Chiefs Association; Ninfa Cadena, Texas Silver Hair Legislature; Jonathan Covey, Texas Values; Rick Donley and JP Urrabazo, The Beer Alliance of Texas; Bryan Flatt, TMPA; Charles Isaac, TSHL; Doug Davis and Tom Spilman, Wholesale Beer Distributors of Texas; Michael Anderson, Wl consulting; and 13 individuals)

Against — Taylor Kirk, 4K Pharm LLC; Joao Mitchell, ATX Organics; Safwan Shaheen, Austar Wholesale; Aleksander Greenblatt, Zaquiri Hensen and Corrigan Moore, Austin Vape & Smoke; Gregory Laird, Bahama Mama; Benjamin Meggs, Bayou City Hemp Company; Craig Katz, CBD Kratom; Judy Corrigan, CenTex CBD, LLC; Madison Wickham, Chill Country Cannabis; Draven Shean, Compliance Professionals, LLC; Devon Mitchell, Dama Botanicals; Javier Ayala, Hayden Meek, Sydney Pendarvis, Jake Steele, and Elijah Stewart, Delta 8 Denton; Chris Bentler, Devega; Nicholas Gresham, DSHS Consumable Hemp Program #983; Isreal Cortez and Savannah Mckittrick, Faeva Faded LLC; Adam Gregg and Jennifer Daigle Gregg, Find Your Hemp; Joseph Littell, Gilded Extracts; Jeana Aliani, Grateful Greens LLC & Medcanna Ventures LLC; John Elmore, Green Cross ATX; Austin Hubbard, Green Nation Community; Milton Phifer, Green Nation of Tyler TX; Janae Sergio, Grunt Style Foundation; Kyle Wise, Guilded Extracts; Timothy Mabry, Lead Through Fire LLC; Oscar Guerrero, Motavation Dispensary LLC; Mignon Young, Naturally Mignon; Harmonie Rocha, Pediatric Pain Warriors; Kristi McGaughey, RedBird Hemp, Texas Hemp Coalition; Jesse Niesen, Reggie & Dro LLC; Anik Akhund, Ropeace; Kallan Salganik, Salganik Services Inc.; Melanne Carpenter, Serenity Organics; Lukas Gilkey, Sky Marketing Corporation DBA Hometown Hero; Ivan Tibbits, Terpy T Consulting; Rado Ivanov, TexaKana Organics; Elizabeth Miller, Texans Helped by Cannabis; Austin Zamhariri, Texas Cannabis Collective; Jesse Williams, Texas Cannabis Collective, DAV Chapter 219; Colton Luther, Texas Green Craft, LLC; Mark Bordas and Andrea Steel, Texas Hemp Business Council; Sheila Hemphill, Texas Right To Know; John Jowers, Texas VFW; Tommye Juvrud, Texas VFW Auxiliary; Morgan Roberts, The Grow Room; Todd Harris, The Happy Cactus; Brent Bird, Thisthat CBD; Christopher Lynch, True Hemp Science; Ethan Yost, Uforiq; Avery Mack, Kelly Mack, Vicky Rocha and Jennifer Sampson Potter, US Pain Foundation; David Walden, Veterans of Foreign Wars; Mitch Fuller, VFW Dept of Texas; and 34 individuals (*Registered, but did not testify*): Sarah Kerver, 1937 Apothecary LLC; Peter Diaz and Joseph Diaz, Acacia Botanicals LLC; Lionell Campbell and Brian Ransom, Alpha Brands; Carole Baker, Janice

Harrison and Tara Latil, American Shaman; Ellis Jackson, American Shaman Fort Worth; Steven Manohar, Arlington American Shaman LLC; Alejandro Cantu Rodriguez, ATX Organics; Mary Elizabeth, Austin Justice Coalition; Brandi Alvarez, Estella Castro and Tanya DeLaRosa; Austinite Cannabis Company; Ashmal Abhavani, Asma Ahmad, Saqib Ahmad, Ekra Ahmed, Aliizban Ali, Asim Ali, Hifza Ali, Ali Shan Aslam, M Arif Aziz, Taslima Begum, Muhammad Asim Chaudry, Adrian Chowdhury, Maria Chowdhury Mohammed Chowdhury, Towheed Chowdhury, Ellisia Dart, Jay De Jesus, Ramya Dhaya, Quayle Ghani, Rahman Hafizur, Muhammad Hamza, Ashraful Haque, Smr Hasan, Mohammed Hossain, Sahar Jafri, Aisha Jafri, Saqib Khan, Cheyenne Larry, Francisco Martinez, Hector Moreno, Sam Nike, Mike Nill, Saif Nisar, Asim Panjwani, Dante Pineda, Summorlyn Primes, Edward Prudencio, Ashikur Rahman, Shifat Rahman, Vaibhav Raj, Jocelyn Rebollar, Salauddin Sazzad, Tyrus Sommer, Jonathan Spaniol, Humaira Waheed, Abdul Wahid, Preston Williams and Sakb Sobhan, Bahama Mama; Mike Taylor, Bahama Mama Franchise; Frank Gandy, Bahama Mama Franchise Owner; Jeromy Sherman, Bayou City Hemp Company; Mohammad Islam, Bdesh Retail LLC; Ricky Neal and Cole Wengender, Black Lotus CBD LLC; Dan Walsh, BREZ; Aditya Ganesan and Jose Toledo, Businessmen; Michael Sterling, Capital American Shaman; Keil Gauger and Zachary Gauger, Caprock Family Farms; Brian Adams, Danny Cassidy, Charlsa Dangerfield, Tara Dumes, Diana Garay-Terrell, Ryan Martinez, Sandra Martinez, Hiten Patel, Vaishali Patel, Sara Sterling and Natasha Thompson, CBD AMERICAN SHAMAN; Jennifer Garza and Santos Garza, CBD AMERICAN SHAMAN OF LUBBOCK; Twana Mccalister, CBD AMERICAN SHAMAN PEARLAND; Steven Bethards, CC Pipes LLC; Karen Reeves, CenTex Community Outreach; JC Carrera, Chillax CBD; Ryan Persinger, Chronic Roots Distribution; Chad West, City of Dallas; Reginald Dees, Cloud Ponics; Diana Eberlein, Coalition for Adult Beverage Alternatives; Kailey Vasquez, Coastal Buds Dispensary; Ross Carroll, Compliance Professionals LLC; James Higdon, Cornbread Hemp; David Ramirez, CW; Daniel Chavez, Danny Boys Hemp Company; Scott Vanlandingham, Devega; Blake Knight, Drink Brez LLC; Alejandro Aguilar, Elevated CBD + Smoke; Bryan Scogins, Endas Unbaked; Kathy Mitchell, Equity Action; Sue Hinojosa, Faeva

Faded LLC; Sara Ellis, Charles Goble and Danielle Sanchez, Glass Phoenix; Joshua Martinez, Grass Monkey LLC; Rashad Robertson; Madeline Tello, Mary Tello and Hector Tello, Green Haus Wellness; Eran Ohana, Green Herbal Care; Joe Smith, Gruene Botanicals; Loretta Nunez, Headrush Smoke Shop LLC; Michael Nunez, Headrush Smoke Shop LLC; Adolfo Erives, Hempyre LLC; Oliver Ponce, Herban, Inc.; Dorothy Alexander and Zachary Midboe, Hidden Hills Club LLC; Luke Wang, Highres Labs; Colby Cappelli and Cameron Sikes, Hombre Verde LLC; Shane Barker and Reed Oquin, Hometown Hero; Mayra Lopez, Homiez Smoke Shop; Maisie Fields, Inner-I; Victor Vargas, Lazydaze; Nabin Kaini and Rohit Shrestha, Legal Green USA; Lance Raymond, Loki Seltzers; Cassra Shirazi, Loudpuff; Philip Snow, Mc Nutraceuticals; Andrew Hur, NADPR LLC and American Shaman of Keller; Lauren Moore, Natura Life + Science; Alexander Noriega, Natural Buds; Deverell Heckerson and Alisa Story, Natural Ways and More (CBD); Sami Khan, Owner of Smoke Shop; Gilbert Duarte, Pakalolo Plug; Satyen Accharya, Rave Distro; Joshua Bruner, Jordyn Christenson, Madison Mendoza, Fernando Romero, Austin Schusler, Camerin Virgilio and Sean Yanez, Rock N Roll It; Ali Khowaja and Aaqib Zia, Rolling and Company; Jayson Gangone, Kirstie Geren, Fisnik Guri, Syed Hamzah, Katherine Harber, Atqiya Khan and Michael Riquelmy, Ropeace CBD Wellness; Ahsan Javed, Salt Rock Pflugerville; Daniela Islas; John Burk, Shell Shock CBD; Robbie Barron and Steven Lewis, Sublime Smoke & Vape; Mohammed Majid and Ahmed Yousif, Supreme Vape Retail Shops; Anish Abraham and Bela Bhatia, Tazo Farms; Gerson Mendoza and Johnathan Valdez, TCF Manufacturing; Francisco Arambula and Christopher Diaz, TCF Marketing; Aaron Owens, Tejas Hemp LLC and Tejas Tonic LLC; Loren Simpson, Texas Cannabis Collective; SARAH REYES, Texas Center for Justice & Equity; Veronikah Warms, Texas Civil Rights Project; Julia Wheeler, Texas Green Craft; Andrea Sallis Daniels and Nicole Dortona, Texas Hemp Business Council; Haley Hunt, Ilissa Nolan, Candice Stinnett, Luke Temple and Eduardo Velez, Texas Hemp Coalition; Jocelyn Munoz, Texas Hemp Council; Lance Lively, Texas Package Stores Association; Yelena Goldshtein, Ryley Yuen and Sean Yuen, The Glass House TX; Amber Harris and Mickey Harris, The Happy Cactus; Cristy Goff, Alex Hastings, Michael Macleod and Nicole

Schubnell, The Haze Connect; Christopher McCown, The Hemp Corner; Zachery Adair, The Hemp Man of Texas, LLC; Kevin Hale, The Libertarian Party of TEXAS; Sreemayee Chand and Vikram Nath, Uproar Wellness; Nick Mortillaro, ViceVending, BotanicBliss; Ross Martinez, Vj Farms Company LLC; Blake Essler and Aaron Staubs, Vogtman Art LLC; Demi Ramos and Ray Ramos, Willie's CBD Shop; Hammad Satti; Jazmin Torres, Zenblendz Entetprise Llc.; and 274 individuals)

On — (*Registered, but did not testify*: Timothy Stevenson, Department of State Health Services; John Harloe and Susan Hays, Village Farms; Tyler Rudd, Wine Institute; Fahad Afeef; Trevon Ferguson; Triniti Willis)

DIGEST:

CSSB 3 would add Title 7 to the Alcoholic Beverage Code, regulating the testing, licensing, manufacturing, distribution, and sale of consumable hemp products in Texas. The bill would grant initial regulatory authority under Title 7 to the Department of State Health Services (DSHS) and the commissioner of state health services. On January 21, 2027, the regulatory authority and all associated powers, duties, and functions would be transferred to the Texas Alcoholic Beverage Commission (TABC) and its administrator.

Additionally, CSSB 3 would regulate the manufacture, distribution, sale, and transport of hemp beverages and would apply certain criminal provisions of the Alcoholic Beverage Code to consumable hemp products. Among other provisions, the bill also would provide for the taxing of these products and designate where such revenue would be deposited.

Testing. CSSB 3 would establish requirements for and other provisions on the testing of various consumable hemp products. The bill would require a hemp testing laboratory to be licensed by DSHS. To be eligible for a license, a laboratory would have to be accredited in accordance with International Organization for Standardization ISO/IEC 17025 or a comparable successor, registered with the federal Drug Enforcement Administration (DEA), and located in Texas. DSHS could issue a license to a laboratory in another state if the laboratory was licensed in its home jurisdiction and posted a surety bond as required for other licenses under

the bill. DSHS would be required to issue each licensed laboratory a license number, which the laboratory would have to place on each certificate of analysis it issued.

“Certificate of analysis” would be defined as an official document issued by a hemp testing laboratory documenting the testing results of a particular sample and stating whether the sample passed or failed any sample requirements.

A licensed hemp manufacturer, distributor, or retailer could not be an owner or manager of a hemp testing laboratory or have more than a 10 percent ownership interest in a publicly traded laboratory.

DSHS would have to adopt rules addressing:

- acceptable testing practices,
- an allowable variance rate for THC or other cannabinoids in natural hemp flower, hemp biomass, consumable hemp products, or hemp beverages;
- corrective measures, root cause analyses, quarantines of suspect batches, fair notice of unintentional or negligent violations, destruction of failed batches, and documentation requirements;
- random laboratory assurance checks and date-driven quality assurance checks; and
- a procedure and documentation for the destruction of natural hemp flower or hemp biomass or of any extracts or manufactured products that testing showed could not be sold in the state.

CSSB 3 would require that natural hemp flower, hemp biomass, or material extracted from hemp be tested for certain substances as provided by the bill before it could be used for the manufacture or sale of consumable hemp products or hemp beverages. Before a consumable hemp product or hemp beverage was sold at retail or otherwise introduced into commerce in the state, a sample representing each batch of the product or beverage would have to be tested to determine that the product did not contain certain specified substances in a prohibited quantity. The

bill would provide for the availability of test results to license holders under the bill.

The definition of “consumable hemp product” would not include a topical product containing hemp, a hemp beverage, or natural hemp flower. A “hemp beverage” would be a beverage that:

- contained hemp or one or more hemp-derived cannabinoids;
- did not contain any amount of converted or synthetic cannabinoids;
- did not contain or was not mixed with alcohol, caffeine, tobacco, nicotine, kratom, kava, psychoactive mushrooms, or a derivative of any of those items; and
- contained 10 milligrams or less of delta-9 THC.

Natural hemp flower or hemp biomass that had a THC concentration of more than 0.3 percent by dry weight, subject to the measure of uncertainty, could not be sold at retail or otherwise introduced into commerce in this state. Similarly, a consumable hemp product or hemp beverage could not be sold at retail or otherwise introduced into commerce in this state if the THC content exceeded the allowable amounts under the bill.

Licensing. CSSB 3 would prohibit a person from testing, manufacturing, processing, importing, shipping, transporting, distributing, selling, or possessing for the purpose of sale hemp products without having obtained an appropriate license as provided by the bill. Each license holder would be required to display the license at all times in a conspicuous place at the licensed place of business. A separate license and licensing fee would be required for each business location under the bill. The bill would also establish certain limitations for these licenses, including that license holders must maintain exclusive occupancy of the entire licensed premises in every phase of the manufacturing, processing, storing, possession, and sale of consumable hemp products that were purchased, stored, or sold on the premises. The Department of State Health Services (DSHS) would be authorized to issue licenses under the bill. CSSB 3 would authorize a person to hold more than one license type under the bill.

Licensing fees. CSSB 3 would require a separate license fee for each place of business that manufactured, processed, imported, transported, distributed, delivered, or sold consumable hemp products. The fees would be:

- \$3,000 for a hemp manufacturer’s license;
- \$5,000 for an out-of-state hemp manufacturer’s license;
- \$1,500 for a hemp distributor’s license;
- \$2,000 for an off-premise hemp retailer’s license;
- \$4,000 for an on-premise hemp retailer’s license;
- \$1,100 for a hemp carrier’s license; and
- \$1,000 for a hemp consumer delivery license.

All license fees would have to be deposited in a fund dedicated for the administration of hemp laws.

Application. On receiving an application for a license, the commissioner of state health services would be required to evaluate the application and issue the license if all facts stated in the application were found to be true and no legal ground to deny the application existed. If the commissioner recommended denying the license, the applicant could request a hearing conducted by the State Office of Administrative Hearings. If such a hearing was conducted, DSHS would be required to issue a final decision based on the administrative law judges findings of fact, conclusions of law, and decision proposal. If DSHS denied the application, the bill would authorize an applicant to appeal the decision to a Travis County district court after exhausting all administrative remedies.

The bill would require an application for a hemp manufacturer’s, distributor’s, or retailer’s license to include a legal description of the proposed business location and a statement that the applicant consented to inspections. The bill also would provide for the certification of whether the county or city in which the applicant seeks a license under the bill is in a “wet” or “dry” area for consumable hemp products.

A license under the bill would expire after two years and an application for renewal could be filed no earlier than 30 days before expiration. DSHS could by rule require that an individual's license expired after one year due to the license holder's violation history, and could issue a license that expired in less than two years to maintain a reasonable annual distribution of renewal application review work and license fees.

The bill would prohibit a license holder other than a hemp retailer from permitting the consumption of hemp products on the licensed premises. An applicant for or holder of a license under the bill would be required to file a \$5,000 surety bond with DSHS conditioned on the person's compliance with laws relating to consumable hemp products and narcotics. An applicant for or holder of a hemp testing laboratory license would have to file a \$25,000 surety bond conditioned on the person's compliance with laws and regulations relating to hemp and hemp testing. A license holder could furnish, instead of all or part of the required bond amount, one or more certificates of deposit or letters of credit issued by a federally insured bank or savings institution. The bill would exempt license holders who had held a license for three or more years before applying for renewal from furnishing a surety bond if the individual had continuously operated on the licensed premises for that time, had not had a license revoked in the last five years, and was not the subject of pending revocation proceedings.

Denial of application. CSSB 3 would require DSHS to deny an application for a license under the bill that the department had reasonable grounds to believe and found that:

- the applicant was a minor;
- the applicant was indebted to the state for any taxes, fees, or penalties imposed by the Alcoholic Beverage Code or a DSHS rule;
- the place or manner in which the applicant could conduct business warranted a denial based on general welfare, health, peace, morals, safety, and sense of decency of the people;
- the applicant had developed an incapacity that prevented or could

- prevent the applicant from conducting business with reasonable skill, competence, and public safety;
- the applicant was not a U.S. citizen or legal resident;
 - the applicant had been convicted of a felony in the five years preceding the application filing;
 - the applicant was convicted of a felony under the Texas Controlled Substances Act in the ten years preceding the application filing;
 - the applicant was not of good moral character or the applicant's reputation for being a peaceable, law-abiding citizen in the community where the applicant lived was bad;
 - as to a corporation, it was not incorporated under the state's laws, or a least 51 percent of the corporate stock was not owned by persons individually qualified for a license; or
 - granting the license would result in subterfuge ownership of the license or premises.

Additionally, DSHS would have to deny an application for an initial hemp manufacturer's or retailer's license unless the applicant filed with the application a certificate issued by the comptroller stating that the applicant held, or had applied and was eligible for, a sales tax permit for the place of business for which the license was sought. The bill also would provide for the denial of an application for certain applicants if a license or permit had been cancelled or not renewed as a result of a shooting, stabbing, or other violent act, or an offense involving drugs, prostitution, or human trafficking. DSHS would have to deny the application of a person convicted of an offense related to the unlawful display or use of a permit or license under the Alcoholic Beverage Code for five years from the date of conviction, and would have to cancel the license of a person convicted of such an offense.

Cancellation or suspension of license. CSSB 3 also would enumerate the grounds for which DSHS could deny an application or, after notice and hearing, cancel or temporarily suspend a license under the bill. DSHS and the commissioner would have the discretionary authority to suspend a license for up to 60 days, rather than cancel a license, when grounds for cancellation existed. In cases where suspension of a license was authorized, DSHS or the commissioner could give a license holder the

opportunity to instead pay a civil penalty of between \$150 and \$25,000 for each day the license would have been suspended. The bill would specify factors that had to be considered when determining the penalty. If DSHS or the commissioner determined that the continued operation of a licensed business constituted a continuing threat to the public welfare, the bill would provide for a process by which the commission could issue an emergency order of suspension for not more than 90 days.

DSHS and the commissioner would be authorized to relax any provision of the bill relating to the suspension or cancellation of a license and assess a sanction the department or commissioner found just under the circumstances, and could reinstate the license or permit at any time during the period of suspension on payment by the license holder of a fee of between \$75 and \$500 if the department or commissioner found that certain mitigating circumstances existed.

CSSB 3 would specify that any act or omission that was a ground for cancellation or suspension of a license under the bill would also be a violation of the Alcoholic Beverage Code and punishable by a fine of between \$100 and \$1000, up to one year in county jail, or both, except that the penalty for making a false statement in an application for a license or in a document to be filed with DSHS would be punishable by a prison sentence of two to 10 years. The cancellation or suspension of a license would not excuse the violator from these penalties. The bill would provide for hearings to determine if a license should be canceled or suspended and for appeals from such decisions.

Manufacturer license. CSSB 3 would authorize a hemp manufacturer's license holder to:

- receive and process natural hemp flower or hemp biomass from a licensed hemp grower;
- manufacture consumable hemp products at the licensed premises;
- solicit and take orders from a another hemp manufacturer for the sale of works in progress, meaning hemp extract in the intermediate processing and refining phase not intended for sale to a retailer or

- consumer;
- label and package finished consumable hemp products and natural hemp flowers;
- sell the products in Texas to licensed hemp distributors, retailers, and qualified persons outside the state;
- sell the products to ultimate consumers at the licensed premises for off-premise consumption only or off the premises, and not for resale in either case.

The holder of an out-of-state hemp manufacturer's license could:

- solicit and take orders for consumable hemp products from hemp distributors, retailers, and consumers;
- solicit and take orders for works in progress from a licensed hemp manufacturer or another out-of-state hemp manufacturer;
- sell and ship consumable hemp products into the state in consummation of sales to hemp manufacturers, distributors, or retailers; and
- sell and ship such products to consumers in Texas, but not for resale purposes.

Distributor license. CSSB 3 would authorize the holder of a hemp distributor license to purchase consumable hemp products from licensed hemp manufacturers, out-of-state manufacturers, and other licensed distributors and to sell such products in the original containers and packages to other distributors and hemp retailers in the state, and to qualified persons outside the state. Each vehicle used by a distributor would have to be equipped with a GPS tracking device. DSHS would be required to determine the length of time tracking data had to be recorded and stored.

Retailer license. Under CSSB 3, a licensed hemp retailer could sell natural hemp flower and consumable hemp products, hemp beverages if the retailer held a permit, and other products not containing cannabinoids, but could not sell tobacco and nicotine products or alcoholic beverages. A retailer's location would have to be at a fixed location and could not be in a vehicle or otherwise mobile.

An off-premise or on-premise retailer could:

- purchase consumable hemp products and natural hemp flower in the state from certain licensed manufacturers or distributors;
- purchase hemp beverages from authorized manufacturer and distributors;
- sell such products in unbroken original containers and packages to consumers on or from the licensed premises for off premise consumption only and not for resale; and
- sell and deliver such products off the license premises, but not for resale purposes.

An on-premise retailer's license holder also would be authorized to sell such products for on-premise consumption, and if the holder also obtained a permit, serve, mix, and pour hemp beverages for on-premises consumption provided the beverage did not contain more than 10 milligrams of delta-9 THC.

Under CSSB 3, a person could not hold or have an interest in more than 25 hemp retailer stores or in their business or license. An off-premise hemp retailer's license could not be owned by a public corporation, any entity owned by a public corporation, or any entity that would hold the license for the benefit of a public corporation.

DSHS would be required to develop a training program on the legal requirements and responsibilities for persons authorized to sell retail hemp products and the nature and risks associated with consumption of hemp products. A retail license holder or a senior manager and the holder's agents and employees would have to complete the program annually.

Sale near certain locations. The bill would prohibit the retail sale of consumable hemp products within 300 feet of a school, church, public playground, day-care center, child-care center, homeless shelter, or substance abuse treatment center. A hemp retailer would be required to install a video surveillance and recording system on the licensed premises

and make available on request any recordings to DSHS or an applicable law enforcement agency. The bill would require a hemp retailer or the retailer's agents or employees to verify that a purchaser or recipient of consumable hemp products, beverages, or hemp flower was at least 21 years old according to electronic verification procedures specified in the bill.

Provisions applicable to a manufacturer's, distributor's, or retailer's license. CSSB 3 would authorize a hemp manufacturer, distributor, or retailer to ship or personally transport their respective products, and would prescribe shipment methods and the locations and parties to which products could be shipped. The bill would require a license holder personally transporting hemp products to provide to DSHS a description of each vehicle used and any other information the department required. Hemp products could only be personally transported by a license holder in a vehicle owned or leased in good faith by the license holder or an agent and printed or painted with the license holder's discrete mark or brand and license number.

A hemp manufacturer, out-of-state manufacturer, or distributor could purchase, sell, or transport natural hemp flower in the same manner as consumable hemp products. The bill also would provide for a hemp manufacturer or distributor to store consumable hemp products on the license holder's premises or in a warehouse in the county registered with DSHS.

Hemp manufacturers and retailers would be required to conduct annual self-audits of inventory creation, tracking, and sales and maintain this data as required by DSHS. The license holder would be required to provide the data to DSHS upon request.

A hemp manufacturer, distributor, or retailer could not use or employ any person under 21 years of age, except that a retailer could employ a person who was at least 18 if the retailer was owned by the person's parent or legal guardian. Otherwise, a person under 21 could not be permitted to enter a hemp retailer's premises.

Carrier and consumer delivery license. CSSB 3 would authorize a hemp carrier license holder to transport consumable hemp products into, out of, and within the state, including from one wet area to another across a dry area. A hemp carrier license could be issued to a water carrier, airline, railway, registered motor carrier, or a common carrier certified by the Interstate Commerce Commission.

Under CSSB 3, a hemp consumer delivery license holder would be authorized to contract with or employ a driver for the delivery of a consumable hemp product from the premises of a hemp manufacturer or retailer to a consumer located in an area where the sale of the product was legal. A hemp delivery license holder or a retailer could deliver consumable hemp products to consumers only in response to bona fide orders and only in areas where the sale was legal in the county and municipality, if applicable, in which the seller's premises was located or an area no more than two miles beyond that municipality.

A delivery license holder could not contract with or employ a person to make a delivery unless the person was at least 21 and had a valid driver's license. A person making a delivery would be required to verify that the purchaser or recipient was at least 21 years old. If it was found after notice and a hearing that a delivery license holder, an agent or employee of the license holder, or a person acting on the license holder's behalf had delivered with criminal negligence a consumable hemp product to a minor or an intoxicated person, DSHS or the commissioner could suspend the license as provided by the bill.

DSHS would be required to adopt and administer a hemp delivery training program and establish minimum requirements for hemp delivery compliance software. DSHS also would have to implement a system that allowed a license holder to verify in real time whether a delivery driver had a valid certification from the training program. A hemp manufacturer or retailer would not be required to make such a verification and could not be held responsible for actions of a delivery license holder or a delivery driver.

Regulation of hemp products. CSSB 3 would require all ingredients for a consumable hemp product to originate within the United States unless DSHS specifically approved an ingredient from another location. Each ingredient would have to be organic and could not include genetically modified organisms, an artificial dye, or other artificial product unless specifically approved by DSHS. A consumable hemp product could not contain any converted or synthetic cannabinoids. The bill would prohibit a consumable hemp product from resembling common snacks such as chips, candy, chewing gum, or other products attractive to minors. A product could be in the form of gummies, pills, or mints, if the form and packaging were not attractive to minors. A consumable hemp product could not be in a form intended for inhaling by heating the product, including as a hemp-infused oil.

CSSB 3 would limit the THC content for a hemp product that was an oil-based tincture to 2.5 milligrams per milliliter serving or 75 milligrams per container. The THC limit for other products would be 10 milligrams per serving or one gram per container.

DSHS would have to approve any consumable hemp product for sale in the state, and would be required to issue a unique product registration number for each product. A manufacturer would have to pay an application fee of \$100 for each product it sought to register. DSHS would be prohibited from approving a product that contained any converted or synthetic cannabinoids or contained or was mixed with alcohol, tobacco, nicotine, kratom, kava, psychoactive mushrooms, or derivatives of any of those items. DSHS would be required to maintain an updated product registration list on its website.

Natural hemp flower distributed and sold in Texas would have to be grown in the state, and no ingredients could be added. Natural hemp flower would have to be sealed in a child-resistant container labeled with the retail license number, hemp testing laboratory number, and a QR code linking to the certificate of analysis showing that the total THC concentration was less than 0.3 percent by dry weight.

CSSB 3 would establish labeling and packaging requirements for consumable hemp products, including specified prohibitions on packaging attractive to minors. The bill also would limit advertisement of consumable hemp products, including by prohibiting advertisement of a consumable hemp product at a sports, charity, or similar event or within 300 feet of a school, church, playground, day-care center, child-care center, homeless shelter, or substance abuse treatment.

The bill would make conforming changes to certain definitions and licensure requirements to reflect new hemp regulations under Title 7.

Enforcement. CSSB 3 would require DSHS and the Department of Public Safety to establish a process for the random testing of consumable hemp products and hemp beverages at retail and other establishments to ensure that the products or beverages did not contain harmful ingredients, were produced in compliance with applicable federal law, and had a legal THC content level.

Offenses. CSSB 3 would establish criminal offenses related to consumable hemp products, including

- a state-jail felony (180 days to two years in a state jail and an optional fine of up to \$10,000) for knowing manufacture, delivery, or possession with intent to deliver a product or beverage that contained synthetic or converted cannabinoids or a THC amount that exceeded the legal limit;
- a class A misdemeanor (up to one year in jail and/or a maximum fine of \$4,000) for knowing possession of such a product or beverage;
- a class B misdemeanor (up to 180 days in jail and/or a maximum fine of \$2,000) for selling or delivering a consumable hemp product or beverage in, on, or within 300 feet of a school;
- a third-degree felony (two to 10 years in prison and an optional fine of up to \$10,000) for intentionally forging, falsifying, or altering laboratory test results authorized or required by the bill;
- a class B misdemeanor for knowing possession of more than one

- ounce of natural hemp flower;
- a class C misdemeanor (maximum fine of \$500) for knowing possession of an open container containing any amount of natural hemp flower in a passenger area of a vehicle on a public highway.

Title 7 of the Alcoholic Beverage Code would not apply to low-THC cannabis regulated under the Texas Compassionate-Use Act.

CSSB 3 would authorize the commissioner of state health services to waive or modify a requirement or standard of the Alcoholic Beverage Code as it applied to consumable hemp products or beverages and hemp licensees if the commissioner determined that it was necessary or advisable for the efficient operation of the hemp industry in Texas, would not negatively impact public health, safety or welfare, and was in the state's best interests. Such a waiver or modification could not extend past the end of a regular legislative session that began after the waiver or modification took effect, and could not be renewed. This authorization would expire May 28, 2027.

Hemp beverage permit. CSSB 3 would establish the hemp beverage permit that could be issued to certain permit and license holders under the Alcoholic Beverage Code. A person would be required to hold a hemp beverage permit to manufacture, produce, sell, import, export, distribute, or possess for the purpose of selling, transporting, storing, or delivering for commercial purposes hemp beverages.

The bill would specify that under certain provisions relating to the hemp beverage permit, the terms "alcoholic beverage," "malt beverage," "brewing," and "brew" would include, as applicable, hemp beverages or the production of hemp beverages by authorized brewers.

Fees. The fee for the issuance of an original or renewal hemp beverage permit would be:

- \$1,800 for a package store permit holder;
- \$2,650 for a mixed beverage or private club registration permit holder;

- \$1,100 for a carrier's permit holder;
- \$10,000 for a consumer delivery permit holder;
- \$5,000 for a brewer's or nonresident brewer's license holder;
- \$5,000 for a general distributor's or branch distributor's license holder;
- \$1,100 for a brewpub license holder; and
- \$500 for a hemp retailer's license holder.

Packaging, advertising, and disclosure. A hemp beverage package or container would have to be tamper-evident and child-resistant. A hemp beverage could not be advertised, promoted, or packaged in any manner that was attractive to children or that could cause a reasonable individual or child to confuse the hemp beverage for soda, medicine, or other beverage products that were widely distributed and familiar to the public. TABC by rule would be required to impose restrictions on a hemp beverage permit holder with respect to advertising or otherwise promoting hemp beverages to minors to the full extent permitted by the United States Constitution and the Texas Constitution.

A hemp beverage permit holder authorized to sell hemp beverages at retail would be required to prominently display on the permitted or licensed premises, including in any restroom and the check-out or cash register portion of the premises, a sign compliant with relevant provisions and containing the following information in English and Spanish:

- consumption of a hemp beverage will result in a positive drug test;
- a person should not drive or operate machinery if under the influence of a hemp beverage;
- consuming alcohol and hemp beverages together may result in unanticipated severe levels of intoxication; and
- consult your physician before consuming hemp beverages during pregnancy as doing so is not recommended for mothers.

TABC would be required to develop the sign described above and post a copy of the sign on its website.

Prohibited mixing. A hemp beverage permit holder authorized to sell hemp beverages at retail could not mix, or recklessly allow anyone on the permitted or licensed premises to mix, a hemp beverage with any other substance containing alcohol, caffeine, tobacco, nicotine, kratom, kava, psychoactive mushrooms, or a derivative of any of those items.

Identification. A hemp beverage permit holder authorized to sell, serve, or deliver hemp beverages to an ultimate consumer would be required to, before initiating the sale or delivery, verify that the purchaser or recipient of the delivery was 21 years of age or older as provided by the bill. A proof of identification provided by a purchaser or recipient would have to contain a physical description and photograph consistent with the person's appearance, purport to establish that the person was at least 21, and have been issued by a governmental agency.

Retail sale of hemp beverage training program. TABC by rule would be required to develop a training program on the requirements and responsibilities provided by law for persons authorized to sell, serve, or deliver hemp beverages at retail and the risks associated with the consumption of hemp beverages. A hemp beverage permit holder authorized to sell hemp beverages at retail, and the holder's agents, servants, and employees, would be required to annually complete the training program.

Multi-serving hemp beverage container. A multi-serving hemp beverage package could not contain more than 15.5 gallons or less than 375 milliliters of multi-serving hemp beverages and would have to clearly and conspicuously display the milligrams of delta-9 THC in one ounce of the beverage.

A hemp beverage permit holder that also held a brewer's, nonresident brewer's, or brewpub license could produce multi-serving hemp beverages and:

- sell multi-serving hemp beverages to a hemp beverage permit holder that also held a brewer's, nonresident brewer's, general

- distributor's, or branch distributor's license, or to qualified persons outside this state in compliance with that state's law; and
- if the permit holder also held a brewer's self-distribution license, self-distribute multi-serving hemp beverages to licensed hemp retailers.

The bill would establish certain authorizations and restrictions on multi-serving hemp beverages for hemp beverage permit holders who also held a general distributor's or branch distributor's license, a package store permit, a local distributor's permit, a mixed beverage permit, a private club registration permit, or an on-premise hemp retailer's license.

The holder of a carrier permit who held a hemp beverage permit could transport hemp beverages into and out of the state and between points within the state to a person authorized to sell or possess hemp beverages. The holder could transport hemp beverages from one wet area to another wet area across a dry area if that course of transportation was necessary or convenient.

Multi-serving hemp beverages could only be sold to ultimate consumers by a hemp beverage permit holder that also held a package store permit or off-premise hemp retailer's license. A multi-serving hemp beverage could only be sold or delivered to an ultimate consumer if the total THC concentration was not higher than:

- 10 milligrams per ounce for container sizes less than or equal to 1.5 liters; or
- one milligram per ounce for container sizes greater than 1.5 liters for beverages marketed as a pre-mixed hemp cocktail.

Hemp beverage distribution. A general distributor's licensee who also held a hemp beverage permit would be authorized to distribute or sell hemp beverages to:

- a hemp beverage permit holder that was also a general distributor's license holder, branch distributor's license holder, local distributor's permit holder, package store permit holder, mixed

beverage permit holder, private club registration permit holder, or a hemp retailer; and

- a qualified person outside the state in compliance with that state's law.

A general distributor's licensee could not sell hemp beverages for use as an ingredient in the manufacturing and processing of food products.

The bill would establish that provisions providing for the importation of certain alcoholic beverages did not authorize the importation of hemp beverages for personal use or as part of a person's household goods.

A brewpub license holder who also held a hemp beverage permit could manufacture hemp beverages and would be authorized to sell hemp beverages to consumers if the license holder also held a mixed beverage permit. If the license holder did not hold a mixed beverage permit, the license holder could sell hemp beverages that were produced under the license to hemp retailers and general or branch distributors that also held a hemp beverage permit in the same manner that the brewpub license holder could sell malt beverages.

A hemp beverage delivered to a consumer located off-premises that was not in an original container sealed by the manufacturer would have to be in a tamper-proof container that was sealed by a mixed beverage or private club registration permit holder and clearly labeled with the permit holder's business name or the name of the private club registration permit holder and the letters "THC."

Criminal procedure. Under the bill, a state agency would be prohibited from authorizing a person to manufacture a product containing hemp for the burning or igniting, rather than the smoking, of the hemp and inhaling the smoke or heating the hemp and inhaling the resulting vapor or aerosol.

The bill would define "illicit consumable hemp product" as a hemp product:

- manufactured, processed, distributed, bought, sold, stored,

- possessed, imported, or transported in violation of the Alcoholic Beverage Code;
- on which a state tax had not been paid; or
 - possessed, kept, stored, owned, or imported with intent to sell, distribute, process, store, or transport in violation of the Alcoholic Beverage Code.

The bill would make conforming changes to provisions regarding the seizure of illicit substances and offenses for which a warrant could be issued to apply to illicit consumable hemp products or any instruments used in their manufacture or transport.

Labeling. For the purposes of labeling requirements for certain beverages under the Alcoholic Beverage Code, the label of a hemp beverage container would have to state:

- the net contents in terms of ounces of liquid;
- the percentage and total amount in milligrams of each cannabinoid in the beverage;
- a warning that consumption impairs a person's ability to drive a car or operate machinery, and could cause health problems or result in a positive drug test;
- a warning to consult a physician before consuming during pregnancy; and
- a warning that consuming alcohol and hemp beverages together may result in unanticipated severe levels of intoxication.

Certificate of analysis. An authorized licensee would be required to register an application to deal in hemp beverages that included a certificate of analysis provided for by the bill that was issued by a hemp testing laboratory. Each different-sized container of the same type of hemp beverage produced by a brewer's or non-resident brewer's license holder would require an individual registration with the Alcoholic Beverage Commission (TABC).

Upon the issuance of certificate of analysis by a hemp testing laboratory, TABC would be required to approve the product and issue a letter to that effect to the licensee unless the commission determined the product would

create a public safety concern, cross tier violation, or other violation of the code. If TABC denied the application for a product with a certificate of analysis, the licensee submitting the application would be entitled to an administrative hearing before the State Office of Administrative Hearings.

Hemp beverage authorization. TABC would be required to develop a process by which a sample representing a hemp beverage was tested and approved before the beverage was made available for sale or introduced into commerce in the state. In approving a beverage, TABC would have to:

- ensure the beverage label was in accordance with requirements provided for by the bill;
- ensure that each beverage container, including those for multi-serving hemp beverages, had a delta-9 THC content that complied with the provisions of the bill; and
- use licensed hemp testing laboratories to conduct testing.

Vehicle inspections, common nuisances. The bill would make certain provisions related to lawful vehicle inspections, investigations, or searches applicable to individuals holding licenses under Title 7, and establish that provisions related to common nuisances also applied to locations and persons involved in the sale of consumable hemp products.

Sale, purchase, or consumption by minors. Laws prohibiting the sale, purchase, or consumption of alcohol by a minor and establishing affirmative defenses, punishments, and other remedies for the offense would be amended to also apply to consumable hemp products.

The bill would amend provisions related to the sale of alcohol to a minor to specify that an employee's actions would not be attributable to the employer when the employee sold, served, dispensed, or delivered hemp beverages or products to a minor on the employee's premises if that employee had attended the required annual hemp beverage training. For employees of a hemp retailer, the sale, dispensing, or delivery of consumable hemp products to a minor or intoxicated person would not be attributable to an employer if the employee had attended the mandatory training within the last year and the employer had not directly or indirectly

encouraged the employee to violate such law.

Sale of salvaged, insured loss. The bill would amend regulations on the sale of salvaged or insured loss, the registration of beverages with commission, and a purchaser's right to use beverages to apply to consumable hemp products.

Under the bill, TABC would be required, once notified of the acquisition of consumable hemp products, their containers, or their original packages, to immediately notify a hemp distributor's license holder who handled the brand of such products or the hemp manufacturer's license holder who produced the products.

The insurer, salvor, TABC, and the distributor or manufacturer would have to jointly agree whether the hemp products were salable. If deemed unsalable, TABC would have to destroy the products. If salable, the products would have to first be offered for sale to the manufacturer or distributor at their cost price minus any state taxes that had been paid on the products.

If the distributor or manufacturer did not exercise the right to purchase within 10 days after being given the opportunity, the insurer or salvor could sell the products to any qualified consumable hemp product licensee in the same manner provided for the sale of alcoholic beverages.

Tax and sale provisions. A tax would be imposed on the first sale of consumable hemp products and hemp beverages at the rate of two cents per 2.5 milligrams of delta-9 THC contained in the product or beverage. The bill would define "first sale" as the first sale of a consumable hemp product by the holder of a hemp manufacturer's license or an out-of-state hemp manufacturer's license to the holder of a hemp manufacturer's or distributor's license, a hemp retailer, or an ultimate consumer in this state for consumption on or off the manufacturer's licensed premises.

The tax imposed on consumable hemp products would have to be paid by a remittance payable to the comptroller and forwarded together with any required sworn statement or report of taxes due to TABC in Austin on or before the tax due date. The licensee would be required to withhold a discount of 2 percent of the amount due for keeping records, furnishing

bonds, and properly accounting for the remittance of the tax due. No discount would be permitted if the tax was delinquent at the time of payment, and no person could sell, offer for sale, or store for the purpose of sale in this state any such product on which any due tax had not been paid. The tax on a consumable hemp product would be due and payable on the 15th of the month following the first sale, together with a report on the tax due.

If a licensee failed to file a report or tax return, or make a required tax payment, TABC could suspend the license without a hearing. A suspension would take effect on the third day after the date the notice of suspension was given, and the notice would have to be given to the licensee or the licensee's agent or employee by registered or certified mail if not given in person. TABC would have to terminate a suspension when the licensee filed all required returns and made all required tax payments were due.

No tax could be collected on a product shipped out of the state for consumption outside of the state and a tax credit would be allowed for the payment of any unintended or excess taxes. TABC would be required to provide forms for claiming these exemptions.

The holder of any license authorizing the transportation of consumable hemp products out of the state could apply for a refund of taxes paid on a consumable hemp product with proper proof that the product was sold or disposed of outside of the state.

Additionally, a licensee would be entitled to a refund or a tax credit on a future tax payment for any excess tax paid on a consumable hemp product through oversight, mistake, error, or miscalculation. If this occurred, TABC would be required to provide for the equitable and final disposition of tax refunds or credits and prescribe the time and manner for filing claims for credits and refunds and provide appropriate forms.

TABC could require the manufacturer of a consumable hemp product that was processed or manufactured in or imported into Texas to provide information on purchases, sales, and shipments to enable TABC to collect the full amount of the tax due on the consumable hemp product, and no

licensee would be permitted to fail or refuse to furnish the information. TABC could seize or withhold from sale the manufacturer's consumable hemp products if the manufacturer withheld or refused to supply such information or did not permit TABC to investigate pertinent records whether inside or outside of Texas.

The bill would prohibit the imposition or collection of taxes on a consumable hemp product that had been found and declared unsalable by TABC or the TABC administrator. A hemp manufacturer or an out of state hemp manufacturer would be entitled to a refund of any tax the manufacturer paid on those products.

In the event of a suit brought to enforce the collection of tax owed by the holder of a license that authorized the sale of consumable hemp products in the state, a certificate by TABC or the TABC administrator showing the delinquency would be prima facie evidence of:

- the levy placed on the tax or delinquency of the stated amount of tax and penalty; and
- TABC's compliance with provisions relating to the computation and levy of the tax.

A person who violated these tax provisions would commit a misdemeanor offense, which could be punishable by a fine between \$100 and \$1,000 or by imprisonment in the county jail for a period between 30 days and 1 year.

Tax revenues attributed to consumable hemp products and hemp beverages would be deposited to the credit of the general revenue fund and appropriated as follows:

- one-half of the revenue to TABC to administer and enforce relevant provisions with respect to consumable hemp products or beverages;
- one-fourth of revenue to the accredited crime laboratories; and
- one-fourth of revenue to support opioid and narcotic response services by local law enforcement agencies.

Certain other provisions related to the distribution of tax revenues would

not apply to the tax revenues attributed to consumable hemp products and hemp beverages.

Other provisions. A vote to prohibit or legalize the sale of alcoholic beverages, mixed beverages, or malt beverages would not determine whether the sale of hemp beverages was prohibited or legal. The status of hemp beverage sales in an authorized voting unit would be determined according to the provisions established by that unit, unless changed by a local option election within the same unit. An authorized voting unit that had held a local option election would retain the resulting status until it was changed by a subsequent local option election in that same unit.

A person who was issued a hemp manufacturer's license could not be subsequently denied an original or renewal license for the same location on the grounds that a local option election prohibited the sale of consumable hemp products in the area. Similarly, a person who was issued a hemp distributor's license whose warehouse or other facility was located in the affected area could not be denied an original or renewal license for the same location due to a local option election prohibiting the sale of consumable hemp products.

The bill would extend to consumable hemp products certain provisions on TABC's authority to regulate and require testing of alcoholic beverages, as well as certain exceptions to appeals in a suit against TABC. A person could not be appointed to or serve on, hold an office under, or be employed by TABC if the person was employed or had a financial interest in a consumable hemp product business, in the same way as if the person was employed or had a financial interest in an alcoholic beverage business.

The bill would authorize TABC by rule to establish an advisory committee consisting of certain representatives specified in the bill to assist TABC in rulemaking and the development of a licensing and enforcement system for hemp beverages and consumable hemp products.

The bill would amend certain petition election provisions to allow for a local election in a political subdivision to determine whether the sale of

consumable hemp products and beverages would be prohibited or legalized in the subdivision in the same way an election can be held to determine the legal status of alcoholic beverages in a subdivision.

The bill would repeal certain provisions regarding the manufacture, distribution, and sale of consumable hemp products and replace references to such provisions with references to relevant provisions of the bill. Certain conforming changes on consumable hemp products and manufacturers would take effect September 1, 2027.

Effective September 1, 2025, a person holding a license, permit, or registration issued for the manufacture, distribution, and sale of consumable hemp products could continue to operate until their applicable license, permit, or registration expired. DSHS could not renew a license, permit, or registration unless it complied with the bill.

The bill would take effect January 1, 2027, with certain exceptions for provisions taking effect September 1, 2025.

**SUPPORTERS
SAY:**

CSSB 3 would close a critical loophole in Texas hemp regulations by clearly defining allowable THC concentrations, prohibiting high-risk products, and requiring comprehensive testing for potency and contaminants. The bill would prevent products with intoxicating levels of THC from being sold as hemp, ensure accurate labeling, and reduce the risk of harmful, improperly regulated products reaching consumers. The Texas Legislature legalized hemp in 2019 to allow for the production of nonintoxicating products, but this change unintentionally created a market for intoxicating THC products that has been exploited by retailers. Without clear potency limits and regulatory oversight, these products have been sold widely, often without proper labeling or testing, creating significant public safety concerns and increasing the potential for abuse, especially for youth. Products that exceed certain THC levels can be psychoactive and pose risks to consumers, including accidental overconsumption. Closing this loophole would help reduce these risks and better align the state's regulations with the original intent of the 2019 Texas hemp laws. These measures would help protect consumers, prevent

accidental exposure to children, and reduce public health risks by ensuring that only accurately labeled and properly tested products reach the market.

Restricting access to high-potency THC products and synthetic cannabinoids, including sales near schools and daycare centers, would reduce the risk of accidental ingestion and help keep these substances out of the hands of minors. Many synthetic cannabinoid products resemble common snacks or candies, increasing the risk of accidental exposure. Chemicals in these unregulated products risk heart attacks, strokes, seizures, and permanent brain damage. These measures, along with provisions prohibiting such products from being sold near products marketed to children and requiring child-resistant packaging, would help reduce the risk of accidental ingestion and ensure that THC products are kept away from children.

Providing a stable, predictable regulatory framework would support the long-term growth of Texas' hemp industry while focusing on consumer safety. In contrast to a full ban, a regulation-focused approach would prevent responsible businesses from being pushed out of the market or driven underground, supporting the state's pro-business values and allowing thousands of businesses to continue to operate with certainty, while a full ban could instead increase illegal sales. This stability would benefit both consumers and businesses in the hemp industry by reducing the risk of market disruption, protecting local jobs, and supporting a more transparent marketplace. In addition, the state would eventually transfer regulatory authority over hemp products from the Department of State Health Services to the Texas Alcoholic Beverage Commission, which is better equipped to manage this growing industry.

Aligning Texas's hemp regulations with those of other states would reduce compliance burdens for businesses, provide clarity for consumers, and support the growth of a responsible industry. This alignment would reduce confusion about what is considered legal, making it easier for businesses to comply with state laws and for consumers to access safe, tested products.

CRITICS
SAY:

Rather than establishing a regulatory framework for hemp products, completely prohibiting intoxicating THC products would be a more effective way to protect public health and eliminate the enforcement and public safety challenges associated with partial regulation. A full ban would prevent the creation of loopholes that could be exploited by bad actors and reduce the overall risk of high-THC products reaching consumers, including minors.

Current law enforcement testing and identification methods struggle to reliably differentiate between legal hemp and illegal marijuana, particularly when products are modified or synthesized. Allowing even limited sales of THC could overwhelm regulators and law enforcement, making it difficult to effectively control the market. Limiting THC to medical purposes, administered through licensed healthcare professionals and regulated under the Texas Compassionate Use Program, would be a more reliable approach to ensuring patient safety while reducing the risk of illicit product sales, especially to youth.

OTHER
CRITICS
SAY:

Restricting access to hemp products for adults under age 21 could limit treatment options for veterans and others managing chronic conditions, without clear evidence that these nonintoxicating products pose a risk to young adults. Additionally, the age limit could push younger consumers toward unregulated products if they lose access to affordable, regulated options, potentially increasing health risks and undermining the bill's public safety goals.

Tighter regulations could disrupt established businesses and risk creating a "gray market" for unregulated products. Due to high licensing fees, some businesses may struggle to comply with the bill, potentially leading to closures or reduced access to safe, regulated products for consumers. Small, locally owned businesses and minority entrepreneurs could also be disproportionately harmed by the bill's regulations, as they could be driven out of the market by larger, well-capitalized companies with more resources on hand to navigate the new regulations.

The bill's restrictions could complicate access generally to affordable

THC products for individuals with serious medical needs, particularly veterans who rely on these products for chronic pain and PTSD management. Individuals with serious medical needs often rely on THC as a more accessible and affordable alternative to traditional medications. Regulation of the hemp industry could result in these patients losing access to lower-cost hemp products, which could require them to use the more restrictive and expensive Texas Compassionate Use Program. Some patients would not qualify for this program, which could create additional financial and logistical barriers to treatment for these individuals.

NOTES:

According to the Legislative Budget Board, the bill would have a negative impact of about \$37 million to general revenue related funds through the biennium.

The engrossed version of SB 3 would have prohibited the sale of all consumable hemp products containing THC. It would have allowed the sale of consumable hemp products containing only cannabidiol (CBD) or cannabigerol (CBG), provided they complied with a strict regulatory framework. It also would have prohibited the sale of consumable hemp products to individuals under 21, prohibited marketing these products to minors, and required all legal consumable hemp products to be properly labeled and packaged in tamper-evident, child-resistant, and resealable packaging to reduce the risk of accidental exposure to minors. Additionally, the engrossed version would have established criminal offenses related to the sale of illegal hemp products in Texas.