

THE LICENSING BOTTLENECK

How Public Chapter 526 Created Administrative Chaos in Tennessee's Hemp Industry

Prior to Public Chapter 526, Tennessee operated a functional (if imperfect) regulatory system for hemp-derived cannabinoid products under the Tennessee Department of Agriculture (TDA). That system, established by Public Chapter 423 in 2023, allowed licensed businesses to operate with clear rules for licensing, testing, and compliance. Public Chapter 526 dismantled that working framework by transferring regulatory authority to the Tennessee Alcoholic Beverage Commission (TABC) and creating an entirely new licensing regime — resulting in severe administrative chaos and widespread business disruption.

THE REALITY OF SYSTEMIC FRAGMENTATION

Public Chapter 526 created a deeply fragmented regulatory environment. Instead of building on the existing TDA framework that was already functioning, the new law forced businesses to navigate multiple agencies with overlapping and conflicting requirements:

- **Cultivation & Handling:** Still managed by the TDA with individual Hemp Producer Licenses.
- **Transportation:** Requires daily TDA Movement Permits for raw materials.
- **Manufacturing:** Requires separate TDA Food Manufacturing Permits for ingestible products.
- **Retail & Distribution:** Now managed entirely by the TABC, requiring new background checks, fingerprinting, and corporate licensing.

"Current Tennessee hemp policy is broken and fragmented. While the state forces businesses to juggle TDA cultivator licenses, food permits, TABC retail licenses, and daily vehicle movement permits, it completely ignores the front-line retail worker. Our proposed Tennessee Responsible Hemp Commerce Act introduces an individual Hemp Handlers Permit. This mirrors the state's existing alcohol server model, ensuring every single retail clerk is trained in age verification and product compliance, while generating entirely new, recurring revenue to fund state infrastructure. This completely flips the script on the state. It shows that the industry is proposing a higher standard of safety and accountability than the government's current fragmented system."

THE TABC LICENSING BACKLOG

The decision to move regulatory authority from the experienced TDA to the TABC created a predictable and severe implementation failure. Official agency data confirms the scale of the problem:

- **Structural Backlog:** The TABC received approximately 1,980 license applications. As of the July 1, 2026 enforcement date, only about half (~901–1,100) had been approved — leaving nearly half the market without licenses.
- **Operational Delays:** Average processing time reached 29 days. Many retailers received approvals just days before enforcement, making it impossible to secure compliant inventory in advance.
- **Business Impact:** The licensing chaos caused immediate supply chain freezes, empty shelves, lost sales, and in many cases, permanent business closures.

THE SOLUTION: RESTORING A WORKING SYSTEM

The Tennessee Responsible Hemp Commerce Act offers a practical path to restore the successful elements of the previous TDA regulatory framework while adding targeted improvements that address legitimate enforcement and accountability concerns. The cornerstone of this approach is the **Mandatory Hemp Handlers Permit**:

- **Individual Accountability:** Every person who handles or sells hemp-derived cannabinoid products must hold a state-registered permit with training in age verification, ID checking, and compliance — similar to Tennessee's proven alcohol server permit system.
- **Recurring Revenue:** Annual permit fees create a new, reliable funding stream for enforcement and infrastructure — something the old TDA system lacked.
- **Simplified Enforcement:** A centralized digital database allows real-time verification, dramatically reducing the administrative burden compared to thousands of overlapping corporate licenses.

SUMMARY: Public Chapter 526 did not improve upon the previous TDA regulatory system — it dismantled it and replaced it with a chaotic, fragmented structure that has caused measurable harm to businesses and consumers. The Tennessee Responsible Hemp Commerce Act provides a clear, implementable solution that restores the core strengths of the old TDA framework while adding stronger individual accountability and practical enforcement tools.

Sources: Public Chapter 423 (2023 TDA framework); Public Chapter 526 (2025 TABC framework); TABC licensing data and statements (June–July 2026); Tennessee Department of Agriculture records. Current as of July 2026.

This document is provided for legislative and public policy consideration.