

HB1246 Summary

This bill represents nearly two years of research and meetings with experts in multiple disciplines from both Hawai'i and the continent to craft the best legislation to meet the challenge dual use legalization represents. In summary, it creates a robust medical and adult use (dual use) cannabis industry with multiple opportunities for entry, social equity components that allow for disadvantaged people to participate, and perhaps most importantly multiple public education campaigns to address the adverse effects of cannabis use for minors and adults alike.

Like the proposed legalization bill introduced last year (SB 3335), the new authority created by this bill has the power to regulate all aspects of the cannabis plant, whether medical cannabis, adult-use cannabis, or hemp. This decision is based on the experience of other states and embodies the advice of the Department of the Attorney General (DAG) that this is the best approach to curb the proliferation of unregulated products while giving a legal, licensed pathway to local hemp producers.

While the bill is similar to last year's bill in many aspects, it also represents the best practices from around the country to address the everchanging landscape that exists both federally and locally.

Summary of Contents



1. Establishes the Hawai'i Cannabis and Hemp Office ("HCHO")



2. Establishes the Advisory board on medical and adult-use cannabis.



3. Authorizes the HCHO to issue statewide licenses for the adult use and medical markets as well as for hemp manufactured products that include THC and CBD.



4. Fostering Participation from People from Disadvantaged Communities



5. Authorizes the use of tax revenue derived from the sale of adult use cannabis to be redistributed into Cannabis Regulation and Enforcement Special Fund.



6. Medical patients are protected, and their interests preserved.



7. Mandates a robust public health campaign that focuses on the prevention of cannabis use by those under 21 and the safe use of cannabis by adults.



8. Decriminalizes the possession of one ounce or less of cannabis and paraphernalia relating to cannabis use on January 1, 2026



9. Makes smoking marijuana in a public place a fine of \$130 or 10 (ten) hours of community service



10. Enables law enforcement to prioritize the prevention of driving impaired while operating a vehicle under the influence of cannabis.



11. Taxation Model



"What's in HB1246?"

1. Establishes the Hawai'i Cannabis and Hemp Office ("HCHO")

- Administratively attached to the Department of Commerce and Consumer Affairs ("DCCA") to regulate all aspects of the cannabis plant.
- Enable legislation that authorizes adult use (over 21 years of age), cultivation, and sale of cannabis on **January 1, 2026**.
- Authorizes the HCHO to absorb the staff and resources of the Department of Health's ("DOH") Office of Medical Cannabis Control and Regulation ("OMCCR").
- Current OMCCR program manager shall serve as interim administrator until Governor appoints and Senate confirms one or until March 1, 2026, whichever occurs first.

Hawai'i Cannabis and Hemp Office ("HCHO")

- Will license entities to cultivate, process, and sell medical cannabis to patients and adult-use cannabis to consumers over 21.
- Regulate cannabis products to ensure adequate testing, packaging, and labeling standards are met.
- License entities to process hemp extract products containing cannabinoids such as CBD and low amounts of THC. Hemp cultivation will be regulated by the USDA. A permit will be required for hemp extract products containing restricted amounts of THC or other intoxicating cannabinoids.
- Regulate hemp products to ensure adequate testing, packaging, and labeling standards are met.

2. Establishes the Advisory board on medical and adult-use cannabis.

- The board will be composed of **eleven (11) members** and will include:
 - One member who shall have a professional background in the **hemp industry**;
 - One member who shall have professional experience in **oversight or industry management, including commodities, production, or distribution, in the cannabis industry**;
 - One member who shall have a professional background in **public health, mental health, substance abuse treatment, or toxicology**;
 - One member who shall have a professional background in **public safety or law enforcement**;
 - One member who shall have expertise in **Hawaii's agricultural community**; and
 - One member who shall have expertise in **Native Hawaiian culture and diversity**.

3. Authorizes the HCHO to issue statewide licenses for the adult use and medical markets as well as for hemp manufactured products that include THC and CBD.

- **Multiple licenses available including cultivator, processor, retail store, and medical cooperative**, which will give residents many opportunities to enter the legal industry in both the medical and adult use markets. **(Part VII, pg. 145)**
- **"Craft Cannabis" license** that will allow a small cultivator to grow and sell their own product from their premises (like a farm stand) and can also sell their product to other dispensaries. **(Part VII, §A-116, pg. 153)**
 - Granting a craft cannabis license shall promote social equity and small farms with a focus on indigenous crops or farming practices. **(pg. 154, lines 17-20)**
- Other licenses may be established in the future, such as delivery license. **(Part VII, §A-118, pg. 157)**
- Special use permits may be issued for events and social consumption. **(Part VII, §A-119, p. 157)**
- Applicants for licenses must be a legal Hawai'i resident for at least five (5) years, which will prevent the Multi-state Operators (MSO's) from dominating the market as has been seen in other states. **(Part VI, §A-72, starting on pg. 98)**
- Applicants for licenses are eligible even if they have been convicted of certain marijuana-related offenses in the past. **(Part VI, §A-72, starting on pg. 99)**
- **Limits the total number of licenses** to nine (9) and no more than three (3) in any one class or category. **(Part VI, §A-73, starting on pg. 104)**
- Current medical dispensary license holders would have until October 1, 2025 to convert to a dual use license (adult and medical) and new licenses would be awarded on or before July 1, 2026. **(Part VI, on pgs. 294 & 296)**

“What’s in HB1246?” cont’d

4. Fostering Participation from People from Disadvantaged Communities

- **Fosters licensing of social equity applicants and creates a social equity grant program.**
 - “Social equity applicants” are applicants with majority ownership by individuals who resided for at least five of the past 10 years in a disproportionately impacted area; or with at least 51% of employees residing in a disproportionately impacted area. The office may expand the definition.
 - “Disproportionately impacted area” means historically disadvantaged communities, areas of persistent poverty, and medically underserved communities, as determined by the office. Grants will be made on a competitive basis annually.
 - The social equity grants program — which will receive 30% of the net cannabis tax revenue — will issue grants:
 - to social equity applicants for financial assistance, industry training, and technical assistance to assist them in entering and succeeding in the regulated cannabis industry.
 - to social equity applicants that are community-based organizations to address community needs of disproportionately impacted areas, including childcare, after-school and summer programs, and programs that build youth resiliency.
- The Hawaii Cannabis and Hemp Office will waive 50% of application and licensing fees for social equity applicants for their first five years if conditions are met.

5. Authorizes the use of tax revenue derived from the sale of adult use cannabis to be redistributed into only one special fund – Cannabis Regulation and Enforcement Special Fund.

- The special fund has **seven (7) subaccounts for each grant program** and quarterly revenues will be distributed as follows: (**SB-7, starting on pg. 204**)
 - First: An amount to defray expenses of the HCHO, the cannabis regulatory office
 - Then:
 - 30% for **social equity grant program** subaccount.
 - 10% for **public health and education grant program** subaccount.
 - 10% for **public safety grant program** subaccount.
 - 5% for the **Hawaii hemp grant program** subaccount.
 - 5% to the **counties**, allocated based on percentage of revenue collected.
 - 5% to AGs for **drug nuisance abatement unit**.
 - 5% to AGs for the **Special Investigation and Prosecution division** for the purpose of preventing the proliferation of money laundering and organized crime that may result from the expansion of the legal cannabis market or is related to fentanyl and methamphetamine activities.

6. Medical patients are protected, and their interests preserved.

- **“Medical cannabis cooperative” license** allows up to five (5) medical cannabis patients to join together to pool their resources and grow in a group similar to the caregiver model (**Part VII, § A-117, pg. 156**)
- **Adult patient protections for school, landlord, custody, and other entities** are preserved in the proposed new rules governing medical use (**Part III §A-41, pg. 68**) and
- **Minor patients** qualified for medical cannabis may have their caregiver administer medical cannabis products not intended for inhalation in a vehicle on school grounds. (**Part II, §A-45, pg. 77**)
- One member of the Advisory Board on Medical and Adult-use Cannabis will have a **background in public and mental health**. (**Part II, §A-26, on pg. 66**)
- Medical cannabis will be **exempted from the additional 10% tax imposed on adult use cannabis** but will still incur the 4% cannabis tax that is the equivalent of the General Excise Tax (GET) as it does now. (**Part VII, §B-3 Tax, pg. 199**)

“What’s in HB1246?” cont’d

7. Mandates a robust public health campaign that focuses on the prevention of cannabis use by those under 21 and the safe use of cannabis by adults.

- The Hawaii Cannabis and Hemp Office must contract with an entity to develop and implement the comprehensive public health and education campaign, with the requirement that the campaign begin no later than **September 1, 2025. (Part X, §A-151, pg. 173)**

8. Increases amount of cannabis that is decriminalized.

- Decriminalizes the possession of one (1) ounce or less of cannabis and paraphernalia relating to cannabis use on **January 1, 2026** - the same day at legal adult use takes effect. **(Part IV, section 22, pg. 260 & sections 31-33, pg. 272 – 275)**
- **Makes smoking marijuana in a public place a fine of \$130 or 10 (ten) hours of community service (Found on pg. 275)**

9. Enables law enforcement to prioritize the prevention of driving impaired while operating a vehicle under the influence of cannabis.

- Added new provisions to Chapter 291 for under 21 users who **operate a vehicle under the influence of cannabis and creates penalties** that include mandatory participation in substance abuse treatment programs and a 180-day suspension of driver's license among other consequences. **(Part IV, Section 5, starting on pg. 212)**
- **Retained the current definitions and laws** relating to “operating a vehicle under the influence of an intoxicant” or OVUI. An “intoxicant” can be alcohol and/or drugs. **(Part IV, Section 5, starting on pg. 212)**
- Tax revenue is allocated to be spent on resources and training programs for **Drug Recognition Experts (DREs)** to better target impaired drivers operating a vehicle while under the influence of cannabis. These programs can be funded either through the Public Safety grant program **(Part XI, §A-161, pg. 180)** or from the Counties' 5% allocation of the tax revenues.

10. Taxation Model

- **Tax provisions found in Part III, starting on pg. 197.**
- All sales of adult use and medical cannabis will be exempt from General Excise Tax (GET) and will incur a "cannabis tax" that is 4% on medical sales and 14% on adult use sales **(Part III, §B-3, pg. 199).**
- Sales at wholesale will be exempt from all taxes.

Other Provisions to Highlight

- Medical Patients can possess up to **one (1) pound of cannabis flower** that is self-grown, with a limit of **ten (10) plants for self-grow (Part III, §A-41, pg. 67)**. No private residence may have more than **two (2) pounds of cannabis flower** from self-grows, regardless of the number of people residing there.
- Adult users can possess up to **ten (10) ounces of cannabis flower** that is self-grown, with a **limit of six (6) plants for self-grow (Part III, §A-52, pg. 90)**. No private residence may have more than **two (2) pounds of cannabis flower** from self-grows, regardless of the number of people residing there.

Foundational Terms

Dual Use

A regulatory and license framework that supports the medical and adult use cannabis markets.

Cannabis

Has the same meaning as marijuana and marijuana concentrate.

Cannabis flower

The flower of a plant of the genus Cannabis that has been harvested, dried, or cured, before any processing whereby the plant material is transformed into a cannabis product.

Cannabidiol (CBD)

One of many cannabinoids found in cannabis but is distinct from THC in that it does not provide the "high" associated with THC.

Tetrahydrocannabinol (THC)

The group of cannabinoids that function as the primary psychoactive component of cannabis.

Cannabis product

Any product containing or derived from cannabis, including an edible cannabis product or cannabis concentrate. "Cannabis product" includes adult-use cannabis products and medical cannabis products.

Hemp

All parts of the plant of the genus Cannabis whether growing or not, including the seeds thereof and all derivatives, extracts, cannabinoids, isomers, acids, salts, and salts of isomers, with a delta-9—tetrahydrocannabinol concentration of no more than 0.3 per cent on a dry weight basis, as measured post-decarboxylation or other similarly reliable method.

Hemp extract product

Any hemp product derived from hemp, including all derivatives, extracts, cannabinoids, isomers, acids, salts, and salts of isomers, with a delta-9-tetrahydrocannabinol concentration of no more than 0.3 per cent on a dry weight basis, as measured post-decarboxylation or other similarly reliable method. "Hemp extract product" does not include industrial hemp products.

Cannabinoids

Any of the various naturally occurring, biologically active, chemical constituents of cannabis that bind to or interact with receptors of the endogenous cannabinoid system.

Industrial hemp product

Any hemp product that is either: (1) Intended for industrial use and not for human consumption, including textiles and construction materials; or (2) Intended for human consumption and generally recognized as safe (GRAS) by the United States Food and Drug Administration (FDA) for use in foods.

1. What is the role of law enforcement?

Law enforcement will have the same role they have now, which is to enforce the laws around cannabis as they affect public safety. Any additional needs that arise from legalization will be supported through the Public Safety Grant Program – there are (13) objectives of this program, which are defined *starting on page 180, line 9, and ending on page 181, line 20*.

The Department of the Attorney General will receive increased funding and staff for the purposes of Nuisance Abatement and Special Investigations and Prosecutions. Additionally, the counties will be receiving 5% of the tax revenue and can allocate that money to local law enforcement needs as the counties see fit.

2. How will they receive more support/funding?

10% of the tax revenues for public safety grant program subaccount plus 5% to the counties, allocated based on percentage of revenue collected.

3. What is the scope of nuisance abatement?

The scope of this enforcement is defined under *part V of chapter 712, Hawai'i Revised Statutes ("HRS")*:

(1) Those laws pertaining to offenses against public health and morals contained in this chapter, except offenses under part IV that do not involve the manufacture or distribution of drugs and activities under part III that involve only social gambling *as defined in section 712-1231(a)*;

Nuisance abatement enables the enforcement of criminal laws related to the manufacture and sale of drugs, including cannabis, through civil lawsuits. If a court determines that criminal laws regarding drug production or distribution have been violated, it can issue an order barring the responsible individual from entering the property. Additionally, the court may order the closure of the entire premises for up to a year and impose fines, which can become liens on the property. These measures often pressure landlords to terminate the leases of businesses operating illegally.

The Department of Attorney General's Nuisance Abatement division would receive 5% of the cannabis tax revenues in addition to five (5) new positions (FTE) in the unit that would receive initial appropriations from the general fund (*found in Section 54, starting on page 304-305*).

4. Does the bill include provisions to address money laundering or organized crime?

Due to banking restrictions that make cannabis a predominantly cash-based industry, there is significant potential for money laundering and organized crime in states that permit medical or adult-use cannabis. For instance, in Maine, federal prosecutors uncovered a large-scale scheme to illegally cultivate and distribute marijuana under the cover of the state's medical marijuana program. Similarly, in Oklahoma, law enforcement identified a widespread illegal marijuana cultivation network involving money laundering and tax evasion. To safeguard public safety and protect legitimate businesses, robust regulatory and enforcement mechanisms are essential.

The proposed bill allocates 5% of cannabis tax revenues to the Department of Attorney General (DAG) Special Investigation and Prosecution Division (SIPD). These funds would be used to investigate and enforce laws against money laundering and organized crime related to cannabis violations, as well as similar activities involving other substances such as fentanyl and methamphetamines. The SIPD, a self-contained division with its own investigators and prosecutors, is specifically designed to address white-collar crime and fraud, which often require extensive financial analysis. Additionally, the bill would create five new positions (FTEs) within the SIPD, funded initially through an appropriation (*found in Section 56, starting on page 306-307*).

5. The landlord should be able to prohibit cannabis smoking in a rented unit. How is this landlord right protected in this bill?

Foundationally, the bill adds a provision that protects tenants' legal right to consume cannabis "not intended for inhalation" but preserves the rights of landlords to prohibit smoking cannabis in any form (*found on pg. 30*).

The current provisions in the HRS regarding medical cannabis are preserved – which allow a landlord to prohibit the smoking of cannabis (but not the ingestion) if the lease also restricts the smoking of tobacco products. *See HRS §521-39 & §514B-113.*

In the adult use framework, there is a provision allowing landlords to prohibit cannabis cultivation (*found on pg. 91, lines 11-14*).

6. How does the bill address hemp-derived psychoactive products (containing THC and other intoxicating cannabinoids)?

Hemp products are currently regulated by OMCCR pursuant to HRS chapter 328G. In December 2024, the OMCCR issued rules that would allow CBD drinks, hemp gummies with low amounts of THC, and hemp tinctures with low amounts of THC. However, there has been a proliferation of hemp products that exceed the legal amounts of THC and other intoxicating cannabinoids throughout the Hawaii market. These products often contain chemically altered cannabinoids, are not tested for safety, and are packaged and marketed in a way that appeals to younger consumers.

This bill would require the HCHO to license processors of hemp-derived cannabinoid products, or “hemp extract products,” to ensure there are standards for those that create these products in Hawaii. *See §A-133, starting at pg. 163.* The bill also contains testing, packaging, and labeling requirements for these products, whether created in Hawaii or imported. *See §A-134, starting at pg. 164.* Hemp extract products that are less concerning, such as CBD gummies, can be sold without a permit. However, certain hemp extract products that contain higher amounts of THC or other cannabinoids that present public health issues would either be banned or require a “restricted cannabinoid” permit to sell. *See §A-119(b)(3), pg. 158, and §A-131, pg. 158.* This permit would prohibit selling the restricted cannabinoid products to individuals under 21. Violations of these provisions would be subject to a \$1,000 fine per violation, and a cease-and-desist order can be issued by the HCHO. *See §A-89, starting at pg. 130.*

It is important to note that hemp used for industrial purposes, such as hempcrete, as well as hemp approved by the FDA for use in foods, such as hemp seed oil, would not be regulated by the HCHO. While a USDA license would be required to cultivate industrial hemp, no state license would be required to process it and the testing, packaging, and labeling requirements would not apply to industrial hemp.

Most importantly, the bill includes several additional regulatory mechanisms that would bolster enforcement of hemp regulations and better ensure the public health is protected. The HCHO and the Attorney General would have the authority to inspect and investigate entities selling restricted cannabinoid products, and confiscate products that violate the law. *See §A-19, starting at pg. 53, and §A-20, starting at pg. 56.* In addition, selling a restricted cannabinoid product without a permit would be expressly considered a violation of Hawaii’s consumer protection act, and subject to civil penalties as provided in HRS §480-3.1. *See §A-71(d), starting at pg. 97.* Recklessly selling a restricted cannabinoid product would be expressly unlawful. *§A-98, pg. 144.*

TIMELINE OF ADULT-USE TRANSITION

Hawai'i Cannabis and Hemp Office

HB1246 (2025)

2025-2026

JULY 1, 2025

- Effective date of bill, except sections A-26 (Advisory Board on Medical and Adult-Use Cannabis); A-51 through A-54 (personal adult use); part III (Hawai'i Cannabis Tax Law); and part VI (decriminalization, adopted from 2024's SB2487 HD1).
- Deadline to begin development of a comprehensive public health and education campaign about cannabis legalization; health risks and ways to protect children; and the potential dangers of procuring cannabis through unlicensed persons or dispensaries.
- Transfer of monies from existing cannabis and hemp special funds to a new unitary special fund, alongside various appropriations.
- Repeal of Act 14 (2020), as amended by Act 137 (2022) §2 and Act 263 (2023) §15.
- Repeal of Act 263 (2023).
- Re-enactment of "marijuana" and "marijuana concentrate" definitions under HRS §329-1 and §712-1240.

SEPTEMBER 1, 2025

Start date for aforementioned public health and education campaign.

OCTOBER 1, 2025

Deadline for existing dispensaries to apply for dual-use conversion license.

DECEMBER 31, 2025

Deadline to adopt interim rules for the Hawai'i Cannabis and Hemp Office.

JANUARY 1, 2026

- Effective date for sections excepted from July 1, 2025, start date: A-26; A-51 through A-54; part III; and part VI.
- Establishment of Advisory Board on Medical and Adult-Use Cannabis.
- Start date of legal sales of adult-use cannabis.
- Start date of petitions for expungement of offense that would be legalized or decriminalized by this bill, HB1246.
- Start date of collecting taxes on retail sale of cannabis and sale of medical cannabis.
- Deadline to pay conversion fee or otherwise be subject to license revocation.
- Deadline for issuance of converted licenses.

TIMELINE OF ADULT-USE TRANSITION CONT'D

2026-2030

MARCH 1, 2026

End of Department of Health program manager's term as interim administrator.

JULY 1, 2026

Initial round of new dual-use licenses shall be issued.

DECEMBER 31, 2026

Deadline for annual report on the establishment and regulation of cannabis businesses. Recurring deadline for annual report, due 20 days before the start of each regular session.

DECEMBER 31, 2027

- Expiration of the exemptions from procurement requirements under chapter 103D covering:
 - Banking services.
 - Hiring consultants to assist with the licensure process; drafting rules; technical assistance regarding social equity programs; and communication services for public and consumer education campaigns on cannabis laws, potential health risks, and administering grant programs.
 - Establishing testing facilities.

JUNE 30, 2028

- Lapsing of unencumbered appropriation funds.
- Repeal and re-enactment of §291E-61 and §291E-61.5 (operation of a vehicle under the influence of an intoxicant). Amendments made by this bill will not be repealed.

DECEMBER 31, 2030

- Deadline to adopt rules pursuant to chapter 91.
- Expiration of interim rules.