

STAND. COM. REP. NO.

247

Honolulu, Hawaii

FEB 06 , 2025

RE: H.B. No. 1246  
H.D. 1

Honorable Nadine K. Nakamura  
Speaker, House of Representatives  
Thirty-Third State Legislature  
Regular Session of 2025  
State of Hawaii

Madame:

Your Committees on Judiciary & Hawaiian Affairs and  
Agriculture & Food Systems, to which was referred H.B. No. 1246  
entitled:

"A BILL FOR AN ACT RELATING TO CANNABIS,"

beg leave to report as follows:

The purpose of this measure is to:

- (1) Enact the Hawaii Cannabis Law to:
  - (A) Provide a legal safe harbor from state or county criminal prosecution concerning activities relating to cannabis for those who strictly comply with the provisions of the law;
  - (B) Establish the Hawaii Cannabis and Hemp Office as an independent body with the power to administratively regulate all aspects of the cannabis plant;
  - (C) Legalize the sale and possession of cannabis for personal adult use beginning January 1, 2026;
  - (D) Provide economic opportunities to disproportionately impacted areas;

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- (E) Encourage those currently engaging in illegal, unlicensed commercial cannabis activities to enter the legal market;
  - (F) Ensure that state and county law enforcement agencies work closely with the Hawaii Cannabis and Hemp Office and vigorously investigate and prosecute illegal cannabis activities that fall outside any safe harbor protection; and
  - (G) Mandate that the Hawaii Cannabis and Hemp Office make the protection of public health and safety its highest priorities;
- (2) Establish a tax on the retail sale of cannabis and a tax on the sale of medical use cannabis and require every business engaged in the sale of cannabis to obtain a cannabis tax permit;
  - (3) Add new traffic offenses relating to the consumption or possession of marijuana or marijuana concentrate;
  - (4) Make conforming amendments relating to the legalization of personal adult use of cannabis under the Hawaii Cannabis Law;
  - (5) Decriminalize certain drug offenses related to marijuana and marijuana concentrate;
  - (6) Transfer the personnel and assets of the Department of Health and assets of the Department of Agriculture relating to cannabis and hemp to the Hawaii Cannabis and Hemp Office;
  - (7) Establish various positions within state entities to regulate the personal adult use of cannabis and appropriate funds; and
  - (8) Make other conforming and housekeeping amendments.

Your Committees received testimony in support of this measure from the Department of Agriculture; Office of the Public Defender; Stonewall Caucus, Kupuna Caucus, and Education Caucus of the Democratic Party of Hawai'i; Invisible Hawai'i; Medical Cannabis



Advocates Maui; Doctors for Drug Policy Reform; Cultivation Sector Consulting, LLC; Marijuana Policy Project; Pride at Work - Hawai'i; Rainbow Family 808; Democratic Party of Hawai'i; Hawai'i Cannabis Industry Association; Big Island Grown; LabGrown Genetics; Green Aloha; Hilo Grow Shop, LLC; Hawai'i Alliance for Cannabis Reform; ACLU Hawai'i; Drug Policy Forum of Hawai'i; Law Enforcement Action Partnership; and numerous individuals.

Your Committees received testimony in opposition to this measure from the Honolulu Police Department; Department of the Prosecuting Attorney of the City and County of Honolulu; Department of the Prosecuting Attorney of the County of Maui; Hawaii Substance Abuse Coalition; Hina Mauka; Hawaiian Islands Republican Women; Retail Merchants of Hawaii; Hawaii Family Forum; Care Waialua; United Public Workers, AFSCME Local 646, AFL-CIO; Kaua'i Hemp Company; 5 Minute Pharmacy; American Cancer Society Cancer Action Network; Pakaloha Care Clinic; Hawaii SAM; Hawai'i Christian Coalition; Coalition for a Drug-Free Hawaii; and numerous individuals.

Your Committees received comments on this measure from the Department of Budget and Finance; Department of Commerce and Consumer Affairs; Department of the Attorney General; Department of Human Resources Development; Department of Taxation; Department of Health; Tax Foundation of Hawaii; Kaua'i Farm Planning; Hawai'i Public Health Institute; and two individuals.

Your Committees find that over the past decade, there has been a growing movement across the nation to legalize cannabis, also known as marijuana, for recreational use. As of June 2024, twenty-four states, two territories, and the District of Columbia have legalized small amounts of cannabis for adult recreational use.

Your Committees further find that in late 2022 President Biden directed the Secretary of Health and Human Services and the United States Attorney General to review how marijuana is scheduled under federal law. Marijuana is currently classified as a Schedule I controlled substance, alongside heroin and LSD, but ahead of fentanyl and methamphetamine. On May 21, 2024, the Department of Justice proposed to transfer marijuana from Schedule I to Schedule III of the federal Controlled Substances Act. Your Committees recognize that the descheduling of marijuana at the



federal level may be imminent, thus it is important for the State to have regulations in place.

Your Committees additionally find that allowing the State to regulate and tax the sale of cannabis will undercut the illegal drug trade in Hawaii and redirect revenue from drug trafficking organizations to the State where it can be used for public safety and substance abuse prevention, treatment, and education.

Your Committees have amended this measure by:

- (1) Clarifying that a college or university may allow medical use of cannabis by a college or university faculty member or student while the faculty member or student is within faculty or student housing;
- (2) Deleting language that would have specifically included randomized lottery selection as a potential procedure by which licenses or permits are awarded;
- (3) Requiring the rules established by the Hawaii Cannabis and Hemp Office to include procedures and policies that promote and encourage full participation in the regulated cannabis industry by legacy growers;
- (4) Clarifying that the Hawaii Cannabis Law shall not be construed to prohibit the State or any of its political subdivisions from conducting drug testing or using the results of those tests for discipline of employees if the testing is done to comply with an executive order;
- (5) Clarifying that the authorization for the medical use or personal adult use of cannabis does not apply to the manufacture, distribution, dispensing, or possession of cannabis in certain prohibited locations;
- (6) Amending the residency exemption for cannabis licensees to only be applicable to existing medical cannabis dispensaries that convert the dispensary's operations into licenses under the Hawaii Cannabis Law;
- (7) Requiring the granting of craft cannabis dispensary licenses to promote legacy growers, in addition to other groups;



- (8) Amending the maximum amount of tetrahydrocannabinol that may be in tincture that is exempt from inclusion on the restricted cannabinoid product list;
- (9) Providing that the limitation on the collection of taxes shall be suspended for the period an appeal of the assessment is pending before the Taxation Board of Review or the Tax Appeal Court;
- (10) Amending where a person may store marijuana, marijuana concentrate, or receptacles containing any marijuana or marijuana concentrate in a motor vehicle or moped to the trunk, luggage compartment, or similar location;
- (11) Requiring courts to refer a person who is under twenty-one years old and sentenced for committing the offense of promoting a harmful drug in the fourth degree or promoting a detrimental drug in the third degree to a certified substance abuse counselor for assessment and treatment, if needed;
- (12) Changing the effective date to July 1, 3000, to encourage further discussion; and
- (13) Making technical, nonsubstantive amendments for the purposes of clarity, consistency, and style.

Your Committees note that the Department of Budget and Finance recommends that the transfer of appropriations, positions, and other assets from the Department of Agriculture and Department of Health to the Hawaii Cannabis and Hemp Office be effective no earlier than July 1, 2026, to allow the Department of Budget and Finance sufficient time to consult with the affected agencies and facilitate the transfer.

Your Committees note that the Department of Taxation has requested that the authorization of cannabis sales and tax law provisions in part III of the measure take effect no earlier than January 1, 2027.

Your Committees note that the Department of Health has requested a delayed effective date of twelve months to allow for adequate time to adopt rules and transfer personnel and assets.



Your Committees note that the Department of Agriculture suggested amendments that would exempt cannabis from the Department's inspection of imported articles. It is the intent of your Committees, should this measure pass the Legislature, that the Department of Agriculture work with the Hawaii Cannabis and Hemp Office to create rules related to biosecurity and the movement of cannabis as a plant material.

Your Committees respectfully request your Committee on Finance, should it deliberate on this measure, to consider an appropriation for two auditors, one cashier, two special enforcement section investigators, two tax information technicians, and two tax law change specialists in the Department of Taxation.

As affirmed by the records of votes of the members of your Committees on Judiciary & Hawaiian Affairs and Agriculture & Food Systems that are attached to this report, your Committees are in accord with the intent and purpose of H.B. No. 1246, as amended herein, and recommend that it pass Second Reading in the form attached hereto as H.B. No. 1246, H.D. 1, and be referred to your Committee on Consumer Protection & Commerce.

Respectfully submitted on  
behalf of the members of the  
Committees on Judiciary &  
Hawaiian Affairs and  
Agriculture & Food Systems,

  
KERSTIN KAHALOA, Chair

  
DAVID A. TARNAS, Chair





