
A BILL FOR AN ACT

RELATING TO TRADE-ORIENTED PRODUCTION CAPACITY GRANT PROGRAM.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:

1 SECTION 1. The legislature finds that the State's economy
2 is experiencing a period of softening growth, as reflected in
3 the university of Hawai'i economic research organization's most
4 recent economic forecast, which identifies a downturn in visitor
5 arrivals and visitor spending as a key near-term headwind to the
6 State's economic recovery. Because the State's economy remains
7 heavily reliant on travel and tourism, reductions in visitor
8 demand have disproportionate impacts on local businesses,
9 employment, and state tax revenues.

10 The legislature further finds that expanding the State's
11 trade and export activity represents a near-term, low-hanging
12 opportunity to diversify the State's economy, stabilize local
13 businesses affected by fluctuations in tourism, and generate new
14 sources of revenue and job growth. Many manufacturers,
15 producers, and value-added businesses in the State have the
16 potential to access interstate and international markets but are



1 constrained by limited production capacity, outdated equipment,
2 and insufficient capital for modernization.

3 However, the legislature further finds that timely
4 intervention is necessary to mitigate near-term economic impacts
5 resulting from reduced visitor activity and to prevent
6 additional strain on local businesses during the current
7 economic slowdown. Because trade-oriented production capacity
8 investments are capital-based, employer-driven, and capable of
9 generating returns more quickly than large-scale structural
10 reforms, the State is well-positioned to act now. The
11 department of business, economic development, and tourism
12 already administers economic development, manufacturing, and
13 trade-related programs and maintains established relationships
14 with industry partners, allowing the department to efficiently
15 design and implement this measure's proposed grant program,
16 deploy funds with appropriate oversight, and accelerate the
17 ability of businesses in the State to access interstate and
18 international markets.

19 Accordingly, the purpose of this Act is to establish a
20 trade-oriented production capacity grant program within the
21 department of business, economic development, and tourism to



1 support one-time capital investments that expand the State's
2 manufacturing and production capacity for trade, enable local
3 businesses to reach export markets, and deliver measurable
4 economic returns in the near term. By prioritizing traded-
5 sector businesses and requiring private-sector matching funds,
6 this Act ensures that state investments are leveraged, fiscally
7 responsible, and strengthens the State's long-term economic
8 resilience.

9 SECTION 2. Chapter 201, Hawaii Revised Statutes, is
10 amended by adding a new section to be appropriately designated
11 and to read as follows:

12 "S201- Trade-oriented production capacity grant program;
13 establishment. (a) There is established within the department
14 of business, economic development, and tourism the trade-
15 oriented production capacity grant program to support one-time
16 capital investments that expand the State's manufacturing and
17 production capacity for trade.

18 (b) The program shall provide grants for equipment,
19 automation, and facility upgrades that directly increase output,
20 efficiency, and competitiveness for eligible businesses.

21 (c) Grant awards shall:



1 (1) Require private-sector matching funds, as determined
2 by the department;
3 (2) Prioritize traded-sector businesses with demonstrated
4 interstate or international market potential; and
5 (3) Be structured to support projects capable of
6 delivering measurable trade, export, and economic
7 returns in the near term.

8 (d) Eligible uses of grant awards may include but not be
9 limited to:

10 (1) Manufacturing or processing equipment;
11 (2) Automation technologies;
12 (3) Facility improvements directly tied to increased
13 production capacity; and
14 (4) Other capital investments approved by the department
15 that directly support expanded trade or export
16 activity.

17 (e) In awarding grants, the department shall consider, at
18 a minimum:

19 (1) The extent to which the proposed project increases
20 production capacity for trade or export;



1 (2) The applicant's ability to access interstate or
2 international markets;
3 (3) The amount and source of private-sector matching
4 funds;
5 (4) Anticipated economic impacts, including job creation
6 or retention, increased output, and export revenue;
7 and
8 (5) The likelihood that the project will produce
9 measurable economic returns within a defined
10 timeframe.

11 (f) The department may require grant recipients to report
12 on performance outcomes, including production increases, trade
13 activity, and other economic metrics, to ensure accountability
14 and transparency.

15 (g) The department of business, economic development, and
16 tourism shall administer the program and may adopt rules
17 pursuant to chapter 91 necessary for the purposes of this
18 section."

19 SECTION 3. There is appropriated out of the general
20 revenues of the State of Hawaii the sum of \$ or so
21 much thereof as may be necessary for fiscal year 2026-2027 for



1 the trade-oriented production capacity grant program established
2 by this Act.

3 The sum appropriated shall be expended by the department of
4 business, economic development, and tourism for the purposes of
5 this Act.

6 SECTION 4. New statutory material is underscored.

7 SECTION 5. This Act shall take effect on July 1, 2026.

8

INTRODUCED BY:



JAN 28 2026



H.B. NO. 2601

Report Title:

DBEDT; Economic Development; Trade-Oriented Production Capacity Grant Program; Establishment; Manufacturing; Grants; Appropriation

Description:

Establishes the Trade-Oriented Production Capacity Grant Program within the Department of Business, Economic Development, and Tourism to support one-time capital investments that expand the State's manufacturing and production capacity for trade.

Provides grants for equipment, automation, and facility improvements that directly increase output, efficiency, and competitiveness for eligible businesses, with required private-sector matching funds. Prioritizes traded-sector businesses with interstate or international market potential to help generate measurable near-term trade and economic returns.

Appropriates funds.

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