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# 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1 constrained by limited production capacity, outdated equipment,  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 "§201- 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) Require private-sector matching funds, as determined by the department;

(2) Prioritize traded-sector businesses with demonstrated interstate or international market potential; and

(3) Be structured to support projects capable of delivering measurable trade, export, and economic returns in the near term.

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

(1) Manufacturing or processing equipment;

(2) Automation technologies;

(3) Facility improvements directly tied to increased production capacity; and

(4) Other capital investments approved by the department that directly support expanded trade or export activity.

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

(1) The extent to which the proposed project increases 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.

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INTRODUCED BY:

A handwritten signature in black ink, appearing to be "A. J. Q.", written over a horizontal line.

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.

*The summary description of legislation appearing on this page is for informational purposes only and is not legislation or evidence of legislative intent.*

