

JAN 23 2026

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# A BILL FOR AN ACT

RELATING TO HEMP.

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

1 SECTION 1. The legislature finds that industrial hemp  
2 grown and processed for fiber can strengthen the State's  
3 agricultural economy, create high-quality local jobs, support  
4 local manufacturing, and reduce import dependence for paper,  
5 packaging, construction materials, and other fiber products.  
6 Industrial hemp, as defined in title 7 United States Code  
7 section 1639o, is distinct from cannabinoids and is utilized for  
8 a variety of things including fiber and other material uses that  
9 avoid overlap with controlled substances or human food laws that  
10 restrict cannabinoids.

11 The legislature further finds that the State faces high  
12 import costs for packaging and building material, ongoing  
13 recovery needs related to wildfires, waste management  
14 challenges, and long-standing soil health challenges. Fiber  
15 hemp can contribute to soil improvement, sequester carbon, and  
16 provide locally sourced feedstock for products such as paper,  
17 molded fiber packaging, insulation, and erosion-control



1 materials. Targeted incentives, transparent reporting, and  
2 sunset review are appropriate to accelerate private investment  
3 while ensuring accountability.

4 Accordingly, the purpose of this Act is to:

5 (1) Establish the Hawaii hemp fiber special fund to  
6 provide grants, per-ton incentives, and pilot projects  
7 that expand fiber-only hemp production, processing,  
8 and in-state manufacturing with strong equity and  
9 fiscal controls;

10 (2) Establish the hemp paper packaging pilot program;

11 (3) Establish the industrial hemp license surcharge;

12 (4) Require reports to the legislature; and

13 (5) Appropriate funds.

14 SECTION 2. Chapter 141, Hawaii Revised Statutes, is  
15 amended by adding a new part to be appropriately designated and  
16 to read as follows:

17 **"PART INDUSTRIAL HEMP**

18 **S141-A Definitions.** As used in this part:

19 "Affiliate" means any entity that, directly or indirectly,  
20 controls, is controlled by, or is under common control with the  
21 applicant, including through ownership of more than fifty per



1 cent of the voting interests or the power to direct management  
2 and policies.

3 "Approved processor" means any processor licensed under  
4 this chapter that meets quality assurance, safety, and  
5 measurement standards adopted by the department by rule.

6 "Department" means the department of agriculture and  
7 biosecurity.

8 "Fiber materials" means products derived from industrial  
9 hemp biomass, including textiles, paper, building materials such  
10 as hemp-lime and insulation, bioplastics, composite panels,  
11 rope, mulch, and animal bedding, excluding any cannabinoid-  
12 derived products.

13 "Fund" means the Hawaii hemp fiber fund.

14 "Hemp paper packaging" means paper, paperboard, or molded-  
15 fiber packaging made primarily from industrial hemp biomass and  
16 water, containing no intentionally added per- and  
17 polyfluoroalkyl substances and no oxo-degradable additives or  
18 bisphenols, and meeting compostability or recyclability  
19 standards adopted by the department by rule in consultation with  
20 the department of health and the state procurement office, which



1 may reference nationally recognized standards including ASTM  
2 D6400 or D6868 and Federal Trade Commission Green Guides.

3 "Industrial hemp" means the plant *Cannabis sativa L.* and  
4 any part of that plant, including the seeds thereof and all  
5 derivatives, extracts, cannabinoids, isomers, acids, salts, and  
6 salts of isomers, whether growing or not, with a delta-9  
7 tetrahydrocannabinol concentration of not more than 0.3 percent  
8 on a dry weight basis.

9 "Industrial hemp biomass" means non-viable hemp plant  
10 material, including foliage, stalk, hurd, bast fiber, and root,  
11 excluding viable seed, for industrial uses consistent with this  
12 chapter.

13 "Native Hawaiian-owned" means a business at least fifty-one  
14 per cent owned by Native Hawaiians, as defined in section 10-2.

15 "Producer" means a person or entity licensed by the  
16 department to cultivate industrial hemp.

17 "Smallholder farm" means a farm with annual gross receipts  
18 under \$500,000.

19 **§141-B Hawaii hemp fiber special fund; established.** (a)  
20 There is established within the state treasury a special fund to  
21 be designated as the Hawaii hemp fiber special fund to be



1 administered by the department to provide grants, per-ton  
2 incentives, and pilots for fiber-only industrial hemp  
3 production, processing, and in-state manufacturing. Moneys  
4 deposited in the special fund shall be used to fulfill the  
5 purposes of this part and shall include:

6 (1) Any moneys appropriated by the legislature to the  
7 special fund;

8 (2) Any moneys received from the federal government or  
9 from private contributions;

10 (3) Any moneys from the industrial hemp license surcharge  
11 collected pursuant to section 141-C; and

12 (4) The interest or return on investments earned from  
13 moneys in the special fund.

14 (b) Moneys in the fund shall be used for the following,  
15 subject to rules adopted under chapter 91 and, as applicable,  
16 procurement under chapter 103D:

17 (1) Producers grants for cultivation, harvest, drying, and  
18 fiber-handling equipment and on-farm processing that  
19 supports fiber-only production;

20 (2) Processor grants, not more than \$500,000 per award,  
21 for equipment and site readiness including



1                   decontamination, drying, power upgrades, material  
2                   handling, metering, and quality assurance systems;

3                   (3) Converter and manufacturer grants, not more than  
4                   \$500,000 per award, to establish or expand Hawaii-  
5                   based converting or finishing of fiber materials  
6                   including hemp paper packaging, tooling, line setup,  
7                   testing, and quality systems;

8                   (4) Grants to nonprofit organizations and public  
9                   institutions of higher education for training,  
10                  testing, workforce development, demonstrations, and  
11                  research and development related to industrial hemp  
12                  fiber, including paper and packaging applications;  
13                  provided that the grants shall comply with chapter  
14                  42F, as applicable, and shall produce public reports  
15                  or shareable technical materials;

16                  (5) Per-ton incentives of \$300 per delivered dry ton of  
17                  industrial hemp biomass to an approved processor,  
18                  verified by scale tickets and geotagged field maps.  
19                  For the purposes of this paragraph "dry ton" shall be  
20                  defined by rule, including moisture-content  
21                  methodology; provided that the department may prohibit



1                   reimbursement of any cost item already reimbursed by a  
2                   separate award to prevent duplication of benefits;

3                   (6) The hemp paper packaging pilot program; and

4                   (7) Administrative costs not exceeding ten per cent of  
5                   annual expenditures from the fund.

6                   (c) Grants awarded pursuant to this section:

7                   (1) For producers, shall not exceed more than \$500,000 per  
8                   fiscal year and not more than \$1,000,000 in the  
9                   aggregate over any thirty-six month rolling period per  
10                   applicant; provided that per-ton incentive payments  
11                   pursuant to subsection (b) (5) shall not count towards  
12                   the grant awards; provided further that to receive a  
13                   producer grant, any per-ton incentive payment under  
14                   subsection (b) (5) shall not exceed \$150,000 per  
15                   licensed producer per fiscal year;

16                   (2) For processors, shall not exceed more than \$750,000  
17                   per fiscal year and not more than \$1,500,000 in the  
18                   aggregate over any thirty-six month rolling period per  
19                   applicant; provided that not more than thirty-five per  
20                   cent of the fund's total annual disbursements shall be  
21                   awarded to processors in any fiscal year. For the



1                   purposes of this paragraph "disbursements" includes  
2                   any grant, incentive payment, or other cash outlay  
3                   from the fund;

4                 (3) For converters and manufacturers, shall not exceed  
5                   \$500,000 per fiscal year and not more than \$1,000,000  
6                   in the aggregate over any thirty-six month rolling  
7                   period per applicant; and

8                 (4) For nonprofit organizations and public institutions of  
9                   higher education, shall not exceed \$400,000 per fiscal  
10                  year and not more than \$800,000 in the aggregate over  
11                  any thirty-six month rolling period per applicant.

12                (d) An applicant may receive more than one award in a  
13                  fiscal year; provided that:

14                (1) The scopes of each application do not overlap;  
15                (2) Awards do not reimburse the same cost items; and  
16                (3) The caps provided under paragraphs (c) (1) through  
17                  (c) (4) are not exceeded.

18                The department may sequence or consolidate awards to administer  
19                  these caps.

20                (e) The department shall require disclosure of all other  
21                  public funding for the same project or cost items and may deny,



1 reduce, or condition any award to prevent duplication of  
2 benefits. Applicants shall certify the accuracy of the  
3 disclosures under penalty of administrative sanctions.

4 (f) The chairperson of the board of agriculture and  
5 biosecurity may waive the caps in subsection (c) for a project  
6 of statewide importance that serves two or more counties,  
7 documents at least twenty-five per cent non-state cost share,  
8 and demonstrates supply chain benefits to both farming and  
9 processing; provided that any waiver and its rationale shall be  
10 included in the report required by section 141-D(e)(5).

11 (g) All award agreements shall include audit rights and  
12 repayment obligations for nonperformance, fraud, or misuse of  
13 funds. Any awardee who knowingly makes a false statement or  
14 misrepresentation in connection with an application, claim, or  
15 report under this section shall be subject to administrative  
16 sanctions, in addition to any other remedies available at law or  
17 in equity, including debarment from future awards.

18 (h) Any geospatial data submitted by applicants shall be  
19 treated as confidential to the extent permitted by chapter 92F  
20 and used solely for program verification and reporting in  
21 aggregated form.



(i) Nothing in this section authorizes cannabinoid production or use. All activities shall comply with federal law and state licensing under this chapter.

4 §141-C Industrial hemp license surcharge; established.

5 (a) In addition to any license fee established and levied by  
6 the department under this part, there shall be levied, assessed,  
7 and collected an industrial hemp license surcharge equal to five  
8 per cent of the license fee on each industrial hemp producer or  
9 processor license issued pursuant to this part.

10 (b) The surcharge shall be deposited into the Hawaii hemp  
11 fiber special fund established pursuant to section 141-B.

12 (c) The department shall establish minimum and maximum  
13 dollar amounts for the surcharge to avoid disproportionate  
14 impacts on smallholder farms.

**15** **S141-D** **Hemp paper packaging pilot program; established.**

16 (a) There is established within the department a hemp paper  
17 packaging pilot program to evaluate locally manufactured or  
18 converted hemp paper packaging for state and county uses,  
19 including retail bags, food-service items, protective wraps,  
20 hang tags, and shipping inserts.



7 (c) To be eligible for receipt of funds, hemp paper  
8 packaging product items:

9 (1) Shall not contain intentionally added per- and  
10 polyfluoroalkyl substances and oxo-degradable  
11 additives; meet compostability or recyclability  
12 criteria adopted by rule, which may reference  
13 nationally recognized standards including ASTM D6400  
14 or D6868 and Federal Trade Commission Green Guides;  
15 and disclose biobased content as required by rule; and  
16 (2) In contact with food shall comply with department of  
17 health requirements and all applicable United States  
18 Food and Drug Administration regulations.

19 (d) For solicitations issued after July 1, 2027, state and  
20 county purchasing agencies may apply a price preference of up to  
21 five per cent for qualified hemp paper packaging meeting



1 subsection (c) and subject to chapter 103D and availability;  
2 provided that the product is comparable in quality and  
3 availability and the evaluated bid cost shall not exceed the  
4 lowest responsive bid by more than five per cent. The state  
5 procurement office may issue guidance.

6 (e) The department shall:

7 (1) Establish a competitive evaluation system that  
8 prioritizes awards to smallholder farms, entities  
9 located in or serving rural or economically distressed  
10 communities, Native Hawaiian-owned businesses, native  
11 Hawaiian organizations as defined in title 15 United  
12 States Code section 637(a)(15), and businesses  
13 controlled by the organizations;

14 (2) Set a program goal that at least thirty per cent of  
15 annual pilot program dollars shall be made to  
16 applicants meeting any of the priority categories  
17 pursuant to paragraph (1), to the extent practicable  
18 and consistent with applicable law, without creating a  
19 set-aside or quota; provided that applications shall  
20 be evaluated with priority scoring for sustainable  
21 practices, including water-efficient cultivation and



1                   soil remediation, to align with state climate and soil  
2                   goals; provided further that in scoring applications,  
3                   the department shall give additional consideration to  
4                   projects that establish in-state converting capacity  
5                   for hemp paper packaging and that demonstrate off-take  
6                   commitments from local end users or public procurement  
7                   pilots;

8                   (3) Establish performance metrics, including acres  
9                   planted, dry tons processed, jobs created and retained  
10                   (full-time equivalents), private match ratio, import  
11                   substitution value, units of hemp paper packaging  
12                   piloted and end markets served, and tons of carbon  
13                   dioxide equivalent avoided;

14                   (4) Establish a schedule and methodology for the  
15                   development and periodic updating of Hawaii-specific  
16                   life-cycle assessments and environmental product  
17                   declarations; and

18                   (5) No later than September 1 of each year, submit an  
19                   annual report to the chairpersons of the senate  
20                   committees on agriculture and environment and ways and  
21                   means, chairpersons of the house committees on



1 agriculture and food systems and finance, and the  
2 state auditor, detailing:

3 (A) Sources and uses of the fund;

4 (B) Awardees, amounts, islands served, and priority  
5 categories met;

6 (C) Acres planted, dry tons processed, and jobs  
7 created and retained;

8 (D) Local content and import substitution estimates;

9 (E) The status of life-cycle assessment and  
10 environmental product declaration publications  
11 and public-pilot outcomes;

12 (F) The number of awards per applicant;

13 (G) Any waivers granted under section 141-B(f); and

14 (H) Outcomes of the hemp paper packaging pilot  
15 program including unit costs, compostability or  
16 recyclability performance, greenhouse gas  
17 impacts, and supply chain readiness;

18 (6) Collaborate with the department of business, economic  
19 development, and tourism; department of accounting and  
20 general services; department of health; and state



procurement office to effectuate the hemp paper packaging pilot program; and Publish a non-confidential program summary on its website, including aggregated metrics and award lists by island.

6 (f) The department and the state auditor may conduct  
7 financial and performance audits as necessary. If key metrics  
8 are not met, including on-time and on-budget delivery of at  
9 least ninety per cent, unallocated funds may revert for  
10 reprogramming within the fund."

11 SECTION 3. Chapter 712, Hawaii Revised Statutes, is  
12 amended by adding a new section to part IV to be appropriately  
13 designated and to read as follows:

14        "§712-    Industrial hemp.    The possession, cultivation,  
15    sale, receipt, or transfer of industrial hemp as authorized  
16    under part        of chapter 141 shall not constitute an offense  
17    under this part."

18 SECTION 4. (a) The department of agriculture and  
19 biosecurity shall adopt rules pursuant to chapter 91, Hawaii  
20 Revised Statutes, to implement this Act, including eligibility  
21 criteria, application and award procedures, licensing,



1 monitoring and reporting requirements, claw-back provisions for  
2 nonperformance, compostability and recyclability standards for  
3 packaging pilots, and data collection for life-cycle assessments  
4 and environmental product declarations.

5 (b) The department of agriculture and biosecurity shall  
6 initiate rulemaking within ninety days of the effective date of  
7 this Act and adopt rules, including any temporary or expedited  
8 rules as permitted under chapter 91, Hawaii Revised Statutes, no  
9 later than twelve months after the effective date. Indirect  
10 costs charged to a grant under this Act shall not exceed ten per  
11 cent of the award.

12 SECTION 5. Nothing in this Act shall be construed to  
13 authorize cannabinoid production or use. All activities shall  
14 comply with federal law, including the Agriculture Improvement  
15 Act of 2018 (title 7 United States Code section 1639o, et seq.),  
16 state licensing under this chapter, and any amendments thereto.

17 SECTION 6. There is appropriated out of the general  
18 revenues of the State of Hawaii the sum of \$25,000,000 or so  
19 much thereof as may be necessary for fiscal year 2026-2027 to be  
20 deposited into the Hawaii hemp fiber special fund.



1 SECTION 7. There is appropriated out of the Hawaii hemp  
2 fiber special fund the sum of \$ or so much thereof as  
3 may be necessary for fiscal year 2026-2026 for the hemp paper  
4 packaging pilot program; provided that money appropriated  
5 pursuant to this section shall not lapse at the end of the  
6 fiscal year for which the moneys have been appropriated;  
7 provided further that any moneys appropriated pursuant to this  
8 section that are unexpended or unencumbered as of June 30, 2030,  
9 shall lapse on that date.

10 The sum appropriated shall be expended by the department of  
11 agriculture and biosecurity for the purposes of this Act.

12 SECTION 8. If any provision of this Act, or the  
13 application thereof to any person or circumstance, is held  
14 invalid, the invalidity does not affect other provisions or  
15 applications of the Act that can be given effect without the  
16 invalid provision or application, and to this end the provisions  
17 of this Act are severable.

18 SECTION 9. In codifying the new sections added by  
19 section 2 of this Act, the revisor of statutes shall substitute  
20 appropriate section numbers for the letters used in designating  
21 the new sections in this Act.



1 SECTION 10. This Act shall take effect on July 1, 2026,  
2 and shall be repealed on June 30, 2030.

3

INTRODUCED BY:

Mike Habland



# S.B. NO. 2712

**Report Title:**

Department of Agriculture and Biosecurity; Industrial Hemp; Agriculture; Hawaii Hemp Fiber Special Fund; Hemp Paper Packaging Pilot Program; Reports; Appropriation

**Description:**

Establishes the Hawaii Hemp Fiber Special Fund. Establishes the Hemp Paper Packaging Pilot Program. Establishes the Industrial Hemp License Surcharge. Requires reports to the Legislature. Appropriates funds. Sunsets 6/30/2030.

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