

JAN 23 2026

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



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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 **§141-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) Processer grants, not more than \$500,000 per award,
21 for equipment and site readiness including



1 decortation, 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.



1 (i) Nothing in this section authorizes cannabinoid
2 production or use. All activities shall comply with federal law
3 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 **§141-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.



1 (b) The hemp paper packaging pilot program shall provide
2 funds to qualified entities engaged in hemp paper packaging to
3 cover converter tooling and line setup; test runs and samples;
4 third-party testing for food safety, compostability,
5 recyclability, and environmental product declarations; and
6 logistics for limited deployments.

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



1 procurement office to effectuate the hemp paper
2 packaging pilot program; and

3 (7) Publish a non-confidential program summary on its
4 website, including aggregated metrics and award lists
5 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.



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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.



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2 and shall be repealed on June 30, 2030.

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INTRODUCED BY: Mike Hubbard



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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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