

JAN 23 2026

A BILL FOR AN ACT

RELATING TO COOPERATIVES.

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

1 SECTION 1. Chapter 201, Hawaii Revised Statutes, is
2 amended by adding a new part to be appropriately designated and
3 to read as follows:

4 **"PART . COOPERATIVE DEVELOPMENT PROGRAM**

5 **§201-A Findings and purpose.** The legislature finds that
6 cooperatives can provide high-quality jobs, increase worker and
7 community ownership of productive assets, and strengthen local
8 economies, particularly in rural and agricultural communities.

9 The legislature further finds that organizing a new
10 cooperative or converting an existing business to a cooperative
11 typically requires significant administrative startup and
12 transition costs, including feasibility studies, business
13 planning, legal and accounting services, governance design,
14 development, and financial modeling. These costs are often
15 beyond the reach of workers, farmers, and other community
16 members, creating a barrier to cooperative formation and
17 conversion, even where such cooperative ownership would retain



1 jobs, improve job quality, and preserve locally rooted
2 enterprises.

3 The legislature additionally finds that other states have
4 successfully supported cooperative enterprise by offering cost-
5 share grants for cooperative administrative startup and
6 conversion expenses and by funding nonprofit cooperative
7 development centers that provide technical assistance to
8 cooperative groups at low or no cost. The legislature finds
9 that a similar approach in Hawaii, focused on worker ownership
10 and job quality outcomes, would advance the department of
11 business, economic development, and tourism's mission to improve
12 employment opportunities and foster planned community
13 development.

14 The purpose of this part is to establish within the
15 department of business, economic development, and tourism a
16 cooperative development program that:

- 17 (1) Provides cost-share grants to eligible cooperatives to
18 defray administrative startup and conversion costs;
19 (2) Provides grants to nonprofit cooperative development
20 partners to deliver technical assistance and
21 administrative startup services to cooperatives; and



(3) Prioritizes projects that support worker ownership, job retention or creation, and economic resilience in communities across the State, including rural and agricultural communities and underserved populations.

§201-B Definitions. As used in this part:

"Administrative startup costs" means the reasonable and necessary costs incurred to plan, organize, and establish a cooperative or cooperative conversion project, including:

- (1) Feasibility studies and market analyses;
- (2) Business planning and financial modeling;
- (3) Legal services to organize or convert an entity to a cooperative, including drafting or revising articles of incorporation, bylaws, operating agreements, and related documents;
- (4) Accounting and tax planning services directly related to organizing or converting to a cooperative;
- (5) Cooperative governance and financial education for members or prospective members; and
- (6) Other professional services directly related to the administrative startup or conversion activities.



1 "Administrative startup costs" does not include the costs to
2 purchase real property or equipment, wages or salaries for
3 ongoing operations, payment of existing debts, or other general
4 operating expenses.

5 "Cooperative" means:

6 (1) An association organized under chapter 421, 421C, or
7 any other statute providing for the formation of
8 cooperative associations;

9 (2) A limited liability company, partnership, or other
10 business entity that operates according to cooperative
11 principles, including democratic member control,
12 limited return on equity capital, and distribution of
13 net proceeds based on patronage; or

14 (3) A business entity that is in the process of organizing
15 or converting to cooperative ownership under any of
16 the structures described in paragraphs (1) and (2).

17 "Cooperative conversion project" means a project to convert
18 an existing business entity to ownership and control by a
19 cooperative, including a worker, producer, consumer, or multi-
20 stakeholder cooperative.



1 "Cooperative development partner" means a nonprofit
2 corporation or institution of higher education that is
3 authorized to do business in the State and provides technical
4 assistance or training for cooperative development.

5 "Department" means the department of business, economic
6 development, and tourism.

7 "Director" means the director of business, economic
8 development, and tourism.

9 "Eligible applicant" means:

10 (1) A group of two or more individuals who reside in the
11 State and intend to organize a cooperative;

12 (2) A cooperative that is newly organized or expanding
13 into a new line of business; or

14 (3) A group of workers, producers, community members, or a
15 cooperative acting on their behalf that is undertaking
16 a cooperative conversion project.

17 "Program" means the cooperative development program
18 established pursuant to section 201-C.

19 "Worker cooperative" means a cooperative, limited liability
20 company, or partnership in which:



(1) The majority of the equity interest is owned by workers;

(2) The majority of the board of directors or governing body is elected by workers on a democratic basis; and

(3) Allocation of profits and net savings, if any, is primarily based on patronage, including labor contributed, hours worked, or other measures of worker participation, rather than capital contribution.

§201-C Cooperative development program; establishment.

(a) There is established within the department the cooperative development program to support the establishment of new cooperatives in the State.

(b) The program shall include:

(1) A cooperative development cost-share grant program; and

(2) A cooperative development partner grant program for nonprofit providers of technical assistance or training for cooperative development.

(c) The program shall prioritize funding for projects that:



- (1) Increase worker or community ownership through the integration and application of cooperative principles;
- (2) Retain or create jobs in the State, with consideration given to job quality;
- (3) Improve economic resilience in rural or agricultural communities; and
- (4) Benefit underserved communities, including Native Hawaiian communities, socially disadvantaged farmers or ranchers, and communities with high rates of poverty or unemployment.

§201-D Cooperative development cost-share grants;

criteria; proportional contributions; amounts. (a) Subject to the availability of funds, the department may award cost-share grants for administrative startup costs.

(b) The department shall establish criteria for the awarding of grants under this section, including requirements that the eligible applicant:

- (1) Demonstrate reasonable project feasibility;
- (2) Demonstrate job retention or creation benefits;



(3) Complete the project within three years of the grant award; provided that the deadline may be extended for good cause; and

(4) Provide the required proportional contribution pursuant to subsection (c).

(c) To qualify for a grant under this section, an eligible applicant shall make a contribution with a value of at least twenty-five per cent of the awarded grant amount towards the cooperative's administrative startup costs. Contributions to meet this requirement may be in the form of:

(1) Cash;

(2) Other grant funds, as permitted by the department by rule; or

(3) In-kind contributions, such as documented volunteer labor or donated professional services; provided that in-kind contributions shall be valued at the fair market rate for equivalent services and documented through timesheets, service agreements, or other verifiable records, as specified by the department by rule.



(d) Unless otherwise provided by law, cooperative development cost-share grants awarded pursuant to this section shall be in an amount not less than \$10,000 and not more than \$50,000 per cooperative.

§201-E Cooperative development partner grants;

eligibility; terms; rules. (a) Subject to the availability of funds, the department may award grants to cooperative development partners to:

(1) Provide technical assistance to cooperatives;

(2) Assist eligible applicants in preparing cost-share grant applications;

(3) Provide education and training to promote cooperative development; and

(4) Conduct outreach relating to cooperative development opportunities.

(b) The department may require a cooperative development partner to make a monetary or in-kind contribution to the cooperative development partner's cooperative development services to qualify for a grant under this section. The value of the contribution shall be determined by the department by



rule; provided that the contribution may match or be proportional to the grant amount.

(c) The department may award grants under this section for multiple consecutive years to ensure continuity of cooperative development services; provided that the total award term shall not exceed three years.

§201-F Applications; review; awards. (a) Applications for grants under this part shall be submitted in the form required by the department.

(b) An application for a cooperative development cost-share grant shall include but not be limited to:

- (1) Project description;
- (2) Budget of administrative startup costs;
- (3) Documentation verifying the eligible applicant's ability to satisfy the proportional contribution requirement pursuant to section 201-D(c);
- (4) Ownership and governance plan;
- (5) Anticipated outcomes relating to job creation, retention, and quality; and
- (6) Project timeline.



1 (c) The department shall establish scoring criteria for
2 the award of grants under this part. Scoring criteria may
3 include but need not be limited to:

- 4 (1) Worker or community ownership potential;
- 5 (2) Projected job creation or retention outcomes;
- 6 (3) Benefits to rural or agricultural communities;
- 7 (4) Benefits to underserved communities;
- 8 (5) Project feasibility and applicant capacity; and
- 9 (6) Adequacy of the proportional contribution.

10 (d) The department may conduct competitive grant cycles.

11 (e) Each grant awarded under this part shall be subject to
12 a written grant agreement.

13 **§201-G Use of funds; prohibited uses.** (a) Grant funds
14 awarded under this part may be used only for authorized
15 administrative startup costs and cooperative development
16 services as applicable.

17 (b) Grant funds shall not be used for:

- 18 (1) Purchase real property;
- 19 (2) Motor vehicles or capitalized equipment; provided that
20 for the purposes of this paragraph, "capitalized
21 equipment" means equipment with a useful life



1 exceeding two years and an acquisition cost exceeding
2 \$5,000;

3 (3) Wages or salaries for ongoing operations;

4 (4) Dividends or patronage refunds; or

5 (5) Fines or penalties.

6 (c) Expenses funded by grants awarded under this part
7 shall not be reimbursed under any other state grant program if
8 reimbursement would result in a duplication of benefits.

9 **§201-H Coordination.** The department shall coordinate with
10 other state and federal programs, including organizations
11 supporting Native Hawaiian economic development, to implement
12 this part.

13 **§201-I Grantee reporting.** Each grantee awarded grant
14 funds under this part shall submit an annual report to the
15 department no later than July 1 of each year. The report shall
16 include:

17 (1) Description of activities funded;

18 (2) Administrative startup costs incurred;

19 (3) Cooperative progress and status;

20 (4) Conversion outcomes, if applicable;

21 (5) Jobs created or retained; and



(6) Any other information required by the department by rule.

§201-J Reports. The department shall submit a report on the cooperative development program to the legislature no later than twenty days prior to the convening of each regular session. The report shall include:

- (1) The number and total funding amount of grants awarded;
- (2) Descriptions of funded projects;
- (3) Job-related outcomes;
- (4) Activities undertaken by cooperative development partners; and
- (5) Any additional findings and recommendations, including proposed legislation.

§201-K Rules. The department shall adopt rules pursuant to chapter 91 necessary to implement this part."

SECTION 2. The department of business, economic development, and tourism shall conduct a comprehensive evaluation of the cooperative development program and recommendation on whether it should continue, and submit a report of its findings and recommendations, including any



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1 proposed legislation, to the legislature no later than twenty
2 days prior to the convening of the regular session of 2031.

3 SECTION 3. There is appropriated out of the general
4 revenues of the State of Hawaii the sum of \$750,000 or so much
5 thereof as may be necessary for fiscal year 2026-2027 to
6 establish and administer the cooperative development program.

7 The sum appropriated shall be expended by the department of
8 business, economic development, and tourism for the purposes of
9 this Act.

10 SECTION 4. This Act shall take effect on July 1, 2026;
11 provided that section 1 shall be repealed on June 30, 2031.

12
INTRODUCED BY: Mike Gabbard



S.B. NO. 2716

Report Title:

DBEDT; Cooperative Development Program; Grants; Rules; Reports; Appropriation

Description:

Establishes a Cooperative Development Program within the Department of Business, Economic Development, and Tourism to award grants to support the establishment of new cooperatives in the State. Requires the Department to adopt rules. Requires annual reports to the Legislature. Appropriates funds. Sunsets 6/30/2031.

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

