

JAN 23 2026

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# A BILL FOR AN ACT

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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 **S201-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



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

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

- 9 (1) Feasibility studies and market analyses;
- 10 (2) Business planning and financial modeling;
- 11 (3) Legal services to organize or convert an entity to a  
12 cooperative, including drafting or revising articles  
13 of incorporation, bylaws, operating agreements, and  
14 related documents;
- 15 (4) Accounting and tax planning services directly related  
16 to organizing or converting to a cooperative;
- 17 (5) Cooperative governance and financial education for  
18 members or prospective members; and
- 19 (6) Other professional services directly related to the  
20 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:



§201-C Cooperative development program; establishment.

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

**13** (b) The program shall include:

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

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

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



§201-D Cooperative development cost-share grants;

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

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

18 (1) Demonstrate reasonable project feasibility;

19 (2) Demonstrate job retention or creation benefits;





§201-E Cooperative development partner grants;

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

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



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

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

7 **S201-F Applications; review; awards.** (a) Applications  
8 for grants under this part shall be submitted in the form  
9 required by the department.

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

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



- 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



**3**        **§201-J Reports.** The department shall submit a report on  
**4** the cooperative development program to the legislature no later  
**5** than twenty days prior to the convening of each regular session.

**6 The report shall include:**

7 (1) The number and total funding amount of grants awarded;

8 (2) Descriptions of funded projects;

9 (3) Job-related outcomes;

10 (4) Activities undertaken by cooperative development  
11 partners; and

12 (5) Any additional findings and recommendations, including  
13 proposed legislation.

14        **\$201-K Rules.** The department shall adopt rules pursuant  
15 to chapter 91 necessary to implement this part."

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



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.

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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.*

