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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 in the State 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 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           Accordingly, the purpose of this Act is to:

- 12           (1) Establish the Hawaii hemp special fund to provide  
13                 grants, per-ton incentives, and pilot projects that  
14                 expand industrial hemp production, processing, and in-  
15                 state manufacturing with strong equity and fiscal  
16                 controls;
- 17           (2) Establish the hemp paper packaging pilot program;



- 1 (3) Require reports to the legislature; and
- 2 (4) Appropriate funds.

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

6 **"PART . INDUSTRIAL HEMP**

7 **§141-A Definitions.** As used in this part:

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

11 "Department" means the department of agriculture and  
 12 biosecurity.

13 "Fund" or "special fund" means the Hawaii hemp special  
 14 fund.

15 "Hemp paper packaging" means paper, paperboard, or molded-  
 16 fiber packaging made primarily from industrial hemp biomass and  
 17 water, containing no intentionally added per- and  
 18 polyfluoroalkyl substances and no oxo-degradable additives or  
 19 bisphenols, and meeting compostability or recyclability  
 20 standards adopted by the department by rule in consultation with  
 21 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 special fund; established.** (a) There  
20 is established within the state treasury a special fund to be  
21 designated as the Hawaii hemp special fund to be administered by



1 the department to provide grants, per-ton incentives, and pilots  
2 for industrial hemp production and all industrial uses,  
3 including fiber, textiles, construction, biomass, seeds, oil,  
4 food, packaging, and other non-cannabinoid derivative uses.

5 Moneys deposited in the special fund shall be used to fulfill  
6 the purposes of this part and shall include:

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

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

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

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

16 (1) Producers grants for cultivation, harvest, drying, and  
17 equipment and on-farm processing that supports  
18 industrial hemp production;

19 (2) Processor grants, not more than \$500,000 per award,  
20 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 industrial hemp  
6           materials including, tooling, line setup, testing, and  
7           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          provided that the grants shall comply with chapter  
13          42F, as applicable, and shall produce public reports  
14          or shareable technical materials;
- 15       (5) Per-ton incentives of \$300 per delivered dry ton of  
16          industrial hemp biomass to an approved processor,  
17          verified by scale tickets and geotagged field maps.  
18          For the purposes of this paragraph "dry ton" shall be  
19          defined by rule, including moisture-content  
20          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-C(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) Applications for grants under this section shall be  
2 submitted to the department in a manner and form prescribed by  
3 the department. At a minimum, the applicant shall:

4 (1) Be licensed or accredited, pursuant to federal, state,  
5 or county statutes, rules, or ordinances to conduct  
6 the activities or provide the services for which a  
7 grant is awarded;

8 (2) Provide a detailed planning outline of the scope,  
9 objectives, and projected impact of the project or  
10 projects and a clear breakdown of how grant funds  
11 shall be utilized;

12 (3) Agree to use state funds exclusively for the purposes  
13 of these programs;

14 (4) Indicate capability to properly use the grant for the  
15 purpose of these grant programs;

16 (5) Comply with all applicable federal and state laws  
17 prohibiting discrimination against any person on the  
18 basis of race, color, national origin, religion,  
19 creed, sex, age, sexual orientation, disability, or  
20 any other characteristic protected under applicable  
21 federal or state law;



- 1       (6) Agree to refrain from using state funds for purposes  
2             of entertainment or perquisites;
- 3       (7) Comply with other requirements prescribed by the  
4             department;
- 5       (8) Comply with all applicable federal, state, and county  
6             statutes, rules, or ordinances;
- 7       (9) Agree to indemnify and hold harmless the State and its  
8             officers, agents, and employees from and against any  
9             and all claims arising out of or resulting from  
10            activities carried out or projects undertaken with  
11            funds provided hereunder and procure sufficient  
12            insurance to provide this indemnification if requested  
13            to do so by department; and
- 14       (10) Agree to make available to the department all records  
15            the applicant may have relating to the grant to allow  
16            state agencies to monitor the applicant's compliance  
17            with this section.
- 18       (j) To be eligible for producer grants and incentives  
19       under this section, an applicant shall demonstrate successful  
20       cultivation of at least one industrial hemp crop under a United



1 States Department of Agriculture approved hemp program before  
2 January 1, 2025.

3 (k) Nothing in this section shall authorize cannabinoid  
4 production or use. All activities shall comply with federal law  
5 and state licensing requirements under this chapter.

6 **§141-C Hemp paper packaging pilot program; established.**

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

12 (b) The hemp paper packaging pilot program shall provide  
13 funds to qualified entities engaged in hemp paper packaging to  
14 cover converter tooling and line setup; test runs and samples;  
15 third-party testing for food safety, compostability,  
16 recyclability, and environmental product declarations; and  
17 logistics for limited deployments.

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

20 (1) Shall not contain intentionally added per- and  
21 polyfluoroalkyl substances and oxo-degradable



1 additives; meet compostability or recyclability  
2 criteria adopted by rule, which may reference  
3 nationally recognized standards including ASTM D6400  
4 or D6868 and Federal Trade Commission Green Guides;  
5 and disclose biobased content as required by rule; and

6 (2) In contact with food shall comply with department of  
7 health requirements and all applicable United States  
8 Food and Drug Administration regulations.

9 (d) For solicitations issued after July 1, 2027, state and  
10 county purchasing agencies may apply a price preference of up to  
11 five per cent for qualified hemp paper packaging meeting  
12 subsection (c) and subject to chapter 103D and availability;  
13 provided that the product is comparable in quality and  
14 availability and the evaluated bid cost shall not exceed the  
15 lowest responsive bid by more than five per cent. The state  
16 procurement office may issue guidance.

17 (e) The department shall:

18 (1) Establish a competitive evaluation system that  
19 prioritizes awards to smallholder farms, entities  
20 located in or serving rural or economically distressed  
21 communities, Native Hawaiian-owned businesses, Native



1 Hawaiian organizations as defined in title 15 United  
2 States Code section 637(a)(15), and businesses  
3 controlled by the organizations;

4 (2) Set a program goal that at least thirty per cent of  
5 annual pilot program dollars shall be made to  
6 applicants meeting any of the priority categories  
7 pursuant to paragraph (1), to the extent practicable  
8 and consistent with applicable law, without creating a  
9 set-aside or quota; provided that applications shall  
10 be evaluated with priority scoring for sustainable  
11 practices, including water-efficient cultivation and  
12 soil remediation, to align with state climate and soil  
13 goals; provided further that in scoring applications,  
14 the department shall give additional consideration to  
15 projects that establish in-state converting capacity  
16 for hemp paper packaging and that demonstrate off-take  
17 commitments from local end users or public procurement  
18 pilots;

19 (3) Establish performance metrics, including acres  
20 planted, dry tons processed, jobs created and retained  
21 (full-time equivalents), private match ratio, import



- 1 substitution value, units of hemp paper packaging  
2 piloted and end markets served, and tons of carbon  
3 dioxide equivalent avoided;
- 4 (4) Establish a schedule and methodology for the  
5 development and periodic updating of Hawaii-specific  
6 life-cycle assessments and environmental product  
7 declarations; and
- 8 (5) No later than September 1 of each year, submit an  
9 annual report to the chairpersons of the senate  
10 standing committees on agriculture and environment and  
11 ways and means, chairpersons of the house standing  
12 committees on agriculture and food systems and  
13 finance, and the state auditor, detailing:
- 14 (A) Sources and uses of the fund;
- 15 (B) Awardees, amounts, islands served, and priority  
16 categories met;
- 17 (C) Acres planted, dry tons processed, and jobs  
18 created and retained;
- 19 (D) Local content and import substitution estimates;



- 1 (E) The status of life-cycle assessment and  
2 environmental product declaration publications  
3 and public-pilot outcomes;
- 4 (F) The number of awards per applicant;
- 5 (G) Any waivers granted under section 141-B(f); and
- 6 (H) Outcomes of the hemp paper packaging pilot  
7 program including unit costs, compostability or  
8 recyclability performance, greenhouse gas  
9 impacts, and supply chain readiness;
- 10 (6) Collaborate with the department of business, economic  
11 development, and tourism; department of accounting and  
12 general services; department of health; and state  
13 procurement office to effectuate the hemp paper  
14 packaging pilot program; and
- 15 (7) Publish a non-confidential program summary on its  
16 website, including aggregated metrics and award lists  
17 by island.
- 18 (f) The department and the state auditor may conduct  
19 financial and performance audits as necessary. If key metrics  
20 are not met, including on-time and on-budget delivery of at



1 least ninety per cent, unallocated funds may revert for  
2 reprogramming within the fund.

3 **§141-D Oversight; producers and processors.** Nothing in  
4 this part shall be construed to impose additional state license  
5 fees, taxes, surcharges, or regulatory requirements on  
6 industrial hemp producers or processors beyond those required  
7 pursuant to federal law or existing state licensing  
8 requirements."

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

12 "§712- Industrial hemp. The possession, cultivation,  
13 sale, receipt, or transfer of industrial hemp as authorized  
14 under part of chapter 141 shall not constitute an offense  
15 under this part."

16 SECTION 4. (a) The department of agriculture and  
17 biosecurity shall adopt rules pursuant to chapter 91, Hawaii  
18 Revised Statutes, to implement this Act, including eligibility  
19 criteria, application and award procedures, licensing,  
20 monitoring and reporting requirements, claw-back provisions for  
21 nonperformance, compostability and recyclability standards for



1 packaging pilots, and data collection for life-cycle assessments  
2 and environmental product declarations.

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

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

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

19 SECTION 7. There is appropriated out of the Hawaii hemp  
20 special fund the sum of \$ or so much thereof as may be  
21 necessary for fiscal year 2026-2027 for the hemp paper packaging



1 pilot program; provided that money appropriated pursuant to this  
2 section shall not lapse at the end of the fiscal year for which  
3 the moneys have been appropriated; provided further that any  
4 moneys appropriated pursuant to this section that are unexpended  
5 or unencumbered as of June 30, 2030, shall lapse on that date.

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

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

14 SECTION 9. In codifying the new sections added by  
15 section 2 of this Act, the revisor of statutes shall substitute  
16 appropriate section numbers for the letters used in designating  
17 the new sections in this Act.

18 SECTION 10. This Act shall take effect on July 1, 2050,  
19 and shall be repealed on June 30, 2030.



**Report Title:**

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

**Description:**

Establishes the Hawaii Hemp Special Fund. Establishes the Hemp  
Paper Packaging Pilot Program. Requires reports to the  
Legislature. Appropriates funds. Sunsets 6/30/2030. Effective  
7/1/2050. (SD1)

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

