



TESTIMONY BY:
EDWIN H. SNIFFEN
DIRECTOR

Deputy Directors
DREANALEE K. KALILI
TAMMY L. LEE
ROBIN K. SHISHIDO
JAMES KUNANE TOKIOKA

STATE OF HAWAII
DEPARTMENT OF TRANSPORTATION
869 PUNCHBOWL STREET
HONOLULU, HAWAII 96813-5097

February 24, 2023
1:30 PM
State Capitol, Room 308, Videoconference

H.B. 1110 H.D.2
RELATING TO ROAD USAGE CHARGE PROGRAM

HOUSE COMMITTEE ON FINANCE

The Department of Transportation (DOT) **supports this bill with comments** that eliminates the current \$50 annual state vehicle registration surcharge on Electric Vehicles (EVs) and in its place, EV owners can be in a state mileage-based Road Usage Charge (RUC), or choose to pay an annual flat fee.

DOT is funded from user fees like the gas tax that pay for maintenance and improvements to roadways and that serve as a state match for federal funding. However, as we work to achieve our zero emission goals, gas tax revenue has trended downward and is expected to continue to do so in the coming years. In order to maintain funding for our roads and bridges, HDOT embarked on a multi-year research and public outreach project, the Hawaii Road Usage Charge Demonstration Project (HiRUC), to identify how to implement a mileage-based Road Usage Charge in Hawaii. Based on the research and outreach, HDOT recommends beginning this transition with a minimally disruptive program allowing EV owners to choose between paying by the mile instead of the current flat annual registration fee.

A mileage-based user fee improves equity among motorists by ensuring everyone contributes based on how much they use our roads and bridges, whereas gas taxes increase the cost of transportation for those who can least afford it – those who drive older, less fuel-efficient cars and are already paying the most in fuel costs. Mileage-based fees ensure everyone pays the same per mile driven.

Making certain that highway funding policy keeps up with changing technologies such as adoption of more fuel efficient and alternative fueled vehicles is one of the goals of the Hawaii Road Usage Charge Demonstration project (HiRUC). The DOT recently completed the first phase of HiRUC, a 3-1/2 year research, public outreach and demonstration effort to examine a per-mile RUC as a future replacement of the gas tax.

A RUC is a policy whereby all vehicles contribute to the cost of roadway maintenance and improvements based on how much they drive. RUC preserves the user equity that

the gas tax intended: drivers who benefit from the usage of the road system pay for it, regardless of engine or fuel type. It enhances social equity because you pay based on what you use rather than time spent burning gas in traffic.

As the largest RUC demonstration conducted in the United States, HiRUC reached hundreds of thousands of Hawaii residents. By leveraging DOT's existing vehicle inspection (safety check) process for the collection of odometer mileage from vehicle owners. Nearly 360,000 customized Driving Reports were direct mailed to vehicle owners showing them the total miles they drove between their two most recent safety checks. Mailers included an estimate of gas taxes they paid and an indication of what they would owe under a RUC of 0.8 cents per mile. Over 40,000 residents completed surveys, and they expressed high levels of understanding and support for a RUC. Support increased further when told the funds would be dedicated to repair and upkeep roads and bridges and replace the state gas tax. Large majorities of drivers preferred to report miles at the annual safety check as they do today.

This demonstration, along with dozens of community and stakeholder meetings across the state, allowed for widespread outreach to a large percentage of the approximate 465,000 households in Hawaii. Through this outreach efforts, along with another hands-on demonstration with over 2,000 participants statewide that offered other automated mileage reporting options, support grew as did the level of comfort Hawaii residents had with a potential RUC. With RUC offering a viable path forward towards the goals of both eliminating fossil fuel emissions and providing a fair and sustainable funding for Hawaii's roadways, the DOT developed a series of recommendations in the Final Report that was published in August 2022.

H.B. 1110 H.D.2 begins a gradual transition to a mileage-based user fee allowing time for the development and refinement of systems. The bill eliminates the existing \$50 annual state vehicle registration surcharge on EVs. In its place, beginning July 1, 2025, this bill provides a choice for EV owners to either be in the RUC program where they pay a fee based on the number of miles driven at a rate of 0.8 cents per mile, or to opt out of the RUC program and pay an annual \$50 flat fee. This choice is offered to EV drivers until June 30, 2028.

The DOT recommends SECTION 1 be revised to clarify that EV owners will be offered a choice to be in a per-mile RUC, or to pay an annual registration surcharge until June 30, 2028. The DOT recommends this section also be revised to clarify that a long-term transition plan be developed that would encompass all passenger cars and light duty trucks into a RUC program by December 31, 2033, and this plan will be submitted to legislature no later than 20 days prior to the regular session of 2026.

" SECTION 1. The legislature finds that, as fuel tax revenues decrease, the department of transportation has recommended the adoption of a per-mile road usage charge to provide fair and sustainable funding for the State's road infrastructure. The legislature further finds that with

its existing vehicle inspection program, Hawaii is well-positioned to transition to a per-mile road usage charge system with low administrative costs. In 2019, the legislature enacted an annual registration surcharge on electric vehicles to account for their road usage. The legislature now finds that replacing the existing annual \$50 registration surcharge on electric vehicles with a mileage-based road usage charge for electric vehicles is a first step in the eventual statewide transition to a per-mile road usage charge for all vehicles, which will serve as a replacement of the state motor fuel tax with all vehicles paying the per-mile road usage charge. With the increase in public support for fuel-efficient electric and alternative fuel vehicles, the shift to a charge based on road usage is fair to all drivers within the State and ensures that the owners of all vehicles including alternative fuel vehicles pay a fair share of Hawaii's roadway maintenance costs. To implement a per-mile road usage charge program, the legislature further finds that a long-term implementation plan would aid in the deployment and eventual inclusion of all passenger vehicles and light duty trucks.

The purpose of this Act is to:

(1) Create a mileage-based road usage charge to replace state motor fuel taxes for electric vehicles, to be developed by the department of transportation;

(2) Eliminate the annual state vehicle registration surcharge for electric vehicles;

(3) Allow electric vehicle owners a choice of paying a registration surcharge or a per-mile road usage charge until ~~2033~~ June 30, 2028;

(4) Amend certain requirements for motor vehicle registration applications and certificates of inspection;

(5) Develop a long-term transition plan that would encompass all passenger cars and light duty trucks into a per-mile road usage charge by December 31, 2033, and this plan shall be submitted to legislature no later than 20 days prior to the regular session of 2026, and

(6) ~~(5)~~ Appropriate funds for the initial implementation of the mileage-based road usage charge. "

The DOT recommends that for EV owners who choose to be in the per-mile RUC program, the maximum annual amount they would pay is \$50. Therefore, we recommend that paragraph (a) of the new section 249-__ to read as follows:

"§249-__ State mileage-based road usage charge. (a) Beginning July 1, 2025, in addition to all other fees and taxes levied by this chapter, electric vehicles shall be subject to a state mileage-based road usage charge. The state mileage-based road usage charge shall be calculated by the county director of finance at the rate of 0.8 cents per mile traveled, multiplied by the number of miles traveled, less the estimated amount of paid state fuel taxes that correspond with the number of miles traveled. The department shall adopt rules pursuant to chapter 91 to determine the method for calculating the estimated amount of paid state fuel taxes that correspond with the number of miles traveled. The number of miles traveled shall be

calculated as the difference between the vehicle's two most recent odometer readings, as noted on the vehicle's certificate of inspection pursuant to section 286-26(e). The state mileage-based road usage charge shall not be less than \$0 dollars, and the state mileage-based road usage charge shall not be more than \$50 per year. For the first registration renewal of new motor vehicles for which no certificate of inspection is required, the state mileage-based road usage charge assessed shall be \$50, and such amount once paid shall be subtracted from the calculation of the state mileage-based road usage charge upon that vehicle's second registration renewal."

The bill makes clear that should a RUC extend in the future to cover gasoline-powered vehicles, the RUC is also to act as a replacement for the gas tax, not in addition to it. The bill leverages the existing annual safety check process for mileage data collection, continuing a familiar experience for vehicle owners and minimizing costs.

In addition, the bill requires DOT to develop and submit to the legislature a long-term implementation plan to eliminate the gas tax and replace it with a RUC program that encompasses all passenger vehicles and light duty trucks by December 31, 2033.

The DOT recommends that paragraph (a) of the section 249-31 in SECTION 3 be revised to correct a typo to reflect the current \$46 annual registration fee. Therefore we recommend paragraph (a) SECTION 3 to read as follows:

" SECTION 3. (a) All vehicles and motor vehicles in the State as defined in section 249-1, including antique motor vehicles, except as otherwise provided in sections 249-4, 249-6, and 249-31.5, shall be subject to a \$45-46 annual vehicle registration fee; provided that [~~electric vehicles and~~] alternative fuel vehicles shall pay an annual vehicle registration surcharge [~~fee~~] of \$50, which shall be assessed and collected beginning with the first registration renewal for every [~~electric vehicle and~~] alternative fuel vehicle and shall be deposited into the state highway fund established

under section 248-8. The [~~fee~~] surcharge shall be paid each year together with all other taxes and fees levied by this chapter on a staggered basis as established by each county as authorized by section 286-51, and the state registration for that county shall likewise be staggered so that the state registration fee is due and payable at the same time and shall be collected together with the county fee. The state registration fee shall be deemed delinquent if not paid with the county registration fee. The respective counties shall collect this fee together with the vehicle registration tax collected for the county and shall transfer the moneys collected under this section to the State.

For the purposes of this subsection, "alternative fuel vehicle" means a vehicle equipped to be powered by a non-petroleum-based fuel, but excludes an electric vehicle as defined in section 249- (g)."

The DOT recommends that funding be provided for this undertaking in this Act, and recommends SECTION 6 to read as follows:

" SECTION 6. There is appropriated out of the state highway ~~revenue bond~~ funds, the sum of \$1,300,000 or so much thereof as may be necessary for fiscal year 2023-2024 to be used with available federal funds, for the initial implementation of the state mileage-based road user charge established pursuant to section 2 of this Act.

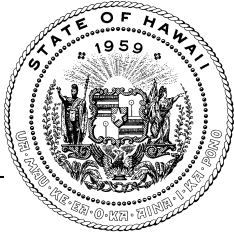
The sum appropriated shall be expended by the department of transportation for the purposes of this Act."

To clarify when funding will become available for the DOT to start developing this program, and when this program will be implemented, the DOT recommends SECTION 8 to read as follows:

“SECTION 8. SECTIONS 1 TO 5 OF this Act shall take effect on July 1, 2025, and Section 6 of this Act shall take effect on July 1, 2023 ~~June 30, 3000.~~”

There are different options for funding critical infrastructure like our state’s roads and bridges. Historically, Hawaii has relied on user-based fees, with fuel taxation as one of the largest and most important revenue sources. With fuel taxes declining, H.B. 1110 H.D.2 offers a way to preserve the user-pay approach in a fair and equitable manner. The DOT is committed to our mission of providing safe, efficient, and accessible transportation system for the residents of Hawaii while also helping the state achieve its clean energy objectives. H.B. 1110 H.D.2 offers a path forward for achieving both.

Thank you for the opportunity to provide testimony.



HAWAII STATE ENERGY OFFICE STATE OF HAWAII

JOSH GREEN, M.D.
GOVERNOR

MARK B. GLICK
CHIEF ENERGY OFFICER

235 South Beretania Street, 5th Floor, Honolulu, Hawaii 96813
Mailing Address: P.O. Box 2359, Honolulu, Hawaii 96804

Telephone: (808) 587-3807
Web: energy.hawaii.gov

Testimony of
MARK B. GLICK, Chief Energy Officer

before the
HOUSE COMMITTEE ON FINANCE

Friday, February 24, 2023
1:30 PM
State Capitol, Conference Room 308 and Videoconference

In Support of
HB 1110, HD2

RELATING TO THE ROAD USAGE CHARGE PROGRAM.

Chair Yamashita, Vice Chair Kitagawa, and Members of the Committee, the Hawai'i State Energy Office (HSEO) offers comments in support of HB 1110, HD2, which replaces the \$50 annual vehicle registration surcharge for electric vehicles with a mileage-based road usage charge for electric vehicles (EVs) beginning on 7/1/2025; allows EVs a choice of paying a registration surcharge or a per-mile road usage charge until 2033; requires motor vehicle registration applications to specify the type of fuel for which the vehicle is adapted; requires certificates of inspection to state the odometer reading; requires the Department of Transportation to plan for the deployment of a state mileage-based road user charge program by 2033 and submit a report to the Legislature; and appropriates funds.

HSEO's comments are guided by its mission to promote energy efficiency, renewable energy, and clean transportation to help achieve a resilient, clean energy, decarbonized economy. Sustainable funding for Hawai'i's roadway maintenance costs needs to be addressed to ensure a smooth transition as Hawai'i decarbonizes ground transportation. HSEO is currently engaging with State agencies and stakeholders to discuss the issues raised from this measure. HSEO regularly collaborates with the Hawai'i Department of Transportation (HDOT) on efforts including the designation of

Alternative Fuel Corridors by the Federal Highway Administration and the National Electric Vehicle Infrastructure (NEVI) Hawai'i State Plan to build out infrastructure on those corridors and will continue that collaboration.

HSEO supports the requirement in HB 1110, HD2, Section 2 to extend the mileage-based road use charge to all passenger vehicles and light duty trucks by December 31, 2033. It is an important signal to the market and the adopters of electric vehicles that the intent is to move all vehicles to a sustainable and equitable framework to collect revenues for road maintenance. The mileage-based road use charge should be devised in such a way to transparently incentivize residents to utilize more fuel efficient vehicles and alternative modes of transportation including public transit, electric mobility, bicycling, and walking. Residents can easily understand that reducing the miles they drive results in a lower annual mileage-based road use charge. To support the expedient transition to this revenue collection framework HSEO would respectfully request extending the authority to implement the program for all light duty passenger vehicles and light duty trucks to the HDOT within HB 1110, HD2. The authority could be added to Section 249(c) by adding a sentence "Vehicles subject to the state mileage-based road usage charge may include all light duty passenger vehicles and light duty trucks as soon as practicable but shall apply to all light duty passenger vehicles and light duty trucks no later than January 1, 2024." The authority would be in addition to the requirement that a plan be developed to fully implement a state mileage-based road use charge program to encompass all passenger vehicles and light duty trucks by December 31, 2033. This provides HDOT the flexibility to move forward as soon as practicable while maintaining the 2033 target.

The stated purpose of HB 1110, HD2, allows electric vehicle owners a choice of paying a registration surcharge or a per-mile road usage charge until 2033. HSEO has also suggested that HDOT be granted the authority to move forward with a mileage based road use charge as soon as practicable. Consistent with the stated purpose and the extension of authority to HDOT to implement as soon as practicable Section 249(d) would need to be amended to read:

Until ~~June 30, 2028~~ December 31, 2033 or such a time as the mileage-based road use charge is extended to all passenger vehicles and light duty trucks, owners of electric vehicles shall be offered a choice to pay a \$50 registration surcharge in lieu of the state mileage-based road usage charge.

Retaining the option for electric vehicle owners to pay a reasonable registration surcharge until all vehicles transition to a mileage-based fee will provide certainty to prospective zero-emission vehicle purchasers and enable continued growth in the zero-emission vehicle market.

Thank you for the opportunity to testify.

Big Island Electric Vehicle Association

hawaiidriveelectric@gmail.com

bigislandev.org



February 23, 2023

COMMENT REGARDING HB1110 HD2 - RELATING TO THE ROAD USAGE CHARGE PROGRAM

Dear Chair Yamashita, Vice Chair Kitagawa, and Finance Committee members,

Big Island EV Association Supports HB1110 HD2, which “Creates a mileage-based road usage charge to replace state motor fuel taxes, beginning on 7/1/2025, for electric vehicles. Eliminates the \$50 annual state vehicle registration surcharge for electric vehicles. Allows electric vehicles a choice of paying a registration surcharge or a per-mile road usage charge until 2033. Requires motor vehicle registration applications to specify the type of fuel for which the vehicle is adapted. Requires certificates of inspection to state the odometer reading. Requires the department of transportation to plan for the deployment of a state mileage-based road user charge program by 2033 and submit a report to the legislature. .”

As our vehicle fleet transitions away from fossil fuel, it will be necessary to ensure funding for transportation infrastructure maintenance and upkeep. A road usage fee accomplishes this. EVs have been subject to an annual \$50 registration surcharge for a few years.

HB1110 HD2 maintains this amount as an alternative to the per-mile fee (0.8 cents/mile) until 2028. This allows EV owners to lead the charge in our transition to a road usage fee while avoiding the perception that EV ownership is being penalized, an unnecessary barrier to EV adoption. EVs still make up about 2% of Hawaii’s roughly 1M passenger cars, and we need to maintain momentum toward efficient, cost-effective, and clean electric vehicles. Maintaining the \$50 annual fee option will help us avoid the perception that EVs are more costly to own.

We recommend that the date for the full transition to a road use fee for all passenger vehicles (EVs and non-EVs) be the same, e.g., a full transition by 2028 or a future date. This will simplify the process for the state and standardize the experience for our residents.

Thank you for this opportunity to testify.

Sincerely,

A handwritten signature in black ink, appearing to read 'Noel Morin', written over a horizontal line.

Noel Morin - President

Big Island Electric Vehicle Association (bigislandev.org), established in 2011, is a grassroots non-profit group dedicated to accelerating the EV adoption Hawaii Island. Our members are EV owners and supporters.



AAA Hawaii

February 24, 2023

TO: Chair Kyle T. Yamashita
Members of the Committee on Finance

FR: Liane Sumida
Regional Manager

RE: **HB1110 HD2 Relating to the Road Usage Charge Program. – SUPPORT**

AAA Hawaii supports HB1110 HD2 as amended, proposing to establish a mileage-based road user charges (RUC) for electric vehicles (EV). HB1110 HD2 provides a progressive, equitable, simple-to-understand and easy-to-comply payment system for EV owners. It is the most measured approach Hawaii can take at this time in introducing RUCs to its motorists. Moreover, providing a flat \$50 the annual road user fee option ensures the most high-mileage drivers will not pay more than their current expenses.

AAA strongly supports greater consumer choice in the vehicle marketplace while also recognizing EVs are becoming a bigger part of our mobility future. The current petroleum-based funding structure is growing increasingly obsolete and inefficient. For instance, the Federal Highway Trust Fund is widely projected to reach insolvency by 2027 and most state transportation funding mechanisms are similarly facing long term shortfalls. Meanwhile, EV sales increased almost 65 percent in 2022 over 2021 despite a downward trend in the gasoline-fueled market. This is entirely consistent with a AAA annual survey from 2022 that found one-quarter of Americans would likely buy an EV the next time they're shopping for a vehicle, with millennials leading the pack at 30 percent.

AAA has long supported the continued study and testing of road usage charge systems as a long-term alternative to state and federal gas taxes. We continue to represent motorized interests on several statewide road usage committees and advocate for transparency, efficient use of revenues, and equity in statewide programs. AAA Hawaii was fortunate to be part of the Hawaii Road User Charge (HiRUC) Advisory Committee and we remain in support of their final recommendations as fair and practical.

AAA is a motorist-based organization with 61 million members nationwide. We are committed to research in the consumer clean vehicle space and provide motorists with a variety of tools/resources when buying new vehicles, including EVs. For all the reasons stated above, AAA Hawaii supports HB1110 HD2. If you any questions about our policy, please contact Marianne Kim at kim.marianne@ace.aaa.com or (213) 741-4488.



Email: communications@ulupono.com

HOUSE COMMITTEE ON FINANCE
Friday, February 24, 2023 — 1:30 p.m.

Ulupono Initiative supports HB 1110 HD2, Relating to Road Usage Charge Program.

Dear Chair Yamashita and Members of the Committee:

My name is Micah Munekata, and I am the Director of Government Affairs at Ulupono Initiative. We are a Hawai'i-focused impact investment firm that strives to improve the quality of life throughout the islands by helping our communities become more resilient and self-sufficient through locally produced food, renewable energy and clean transportation choices, and better management of freshwater resources.

Ulupono supports HB 1110 HD2 and offers comments. This bill creates a mileage-based road usage charge to replace state motor fuel taxes beginning on July 1, 2025, for electric vehicles; eliminates the \$50 annual state vehicle registration surcharge for electric vehicles; allows electric vehicles a choice of paying a registration surcharge or a per-mile road usage charge until 2033; requires motor vehicle registration application to specify whether the type of fuel for which the vehicle is adapted is electricity; requires certificates of inspection to state the odometer reading of vehicles; and requires the Department of Transportation to plan for the deployment of a state mileage-based road user charge program by 2033 and submit a report to the Legislature no later than twenty days prior to the convening of the Regular Session of 2026.

Ulupono Initiative recognizes the impact of more fuel-efficient vehicles on future fuel tax revenues and the need to maintain funding for road maintenance and improvements. As the Hawai'i Department of Transportation (HDOT) notes in its road user charge (HiRUC) final report, the average light-duty vehicle in the state currently achieves roughly 22 miles per gallon (MPG). As vehicles increasingly become more efficient, drivers will by default consume less gasoline and hence pay less gas tax. In addition, the State does continue to have a significant backlog of deferred maintenance—more than \$560 million/year.¹ Together, these issues certainly suggest that we must explore new funding mechanisms, and a usage charge seems appropriate.

¹ <https://ulupono.com/media/ingpfb23/final-report-costs-of-vehicle-economy-in-hawaii-03-9-21.pdf>

Therefore, UluPono Initiative is very supportive of a road user charge (RUC) approach, and supports that further planning is needed for a full implementation across all vehicles.

However, we offer the following comments for consideration:

- 1) We strongly recommend adding in language such that any broad implementation plan continues to account for and incentivize fuel efficient vehicles.

Simply put, a flat RUC does not account for the energy and climate benefits associated with more efficient vehicles. We remain very concerned about the disincentives built into a flat RUC. While this is revenue neutral for the State (which is very important), the structure provides no incentive to drive more fuel-efficient vehicles (including EVs) and reduce our greenhouse gas emissions, like the current incentive that is inherently embedded with the gas tax.

Counter to the spirit of Hawai'i's climate goals, this structure will increase the cost to drive for those who currently have more efficient fuel vehicles. Assuming the proposed annual road user charge of \$70 and the vehicle owner drives approximately 9,000 miles per year², vehicles with a fuel economy of 21 MPG will pay an equivalent \$70 in fuel taxes per year. As a result, an owner of a Toyota 4Runner with a fuel economy of 19 MPG will pay 8% less, whereas an owner of a Toyota Corolla with a fuel economy of 38 MPG will pay 84% more. Although both vehicles have the same road usage, there is a disproportionate financial impact on drivers of more fuel-efficient, lower-emission vehicles. As seen in the appendices of the HiRUC final report, these increased costs will impact all demographics, including rural drivers and low-income drivers who currently have more fuel-efficient vehicles.

Overall, we fully recognize the potential funding issues that HDOT may be facing in the next decade and are very supportive of transitioning to a RUC, if appropriately structured. We believe that any transition should continue to promote more fuel-efficient vehicles, so that we can accelerate the reduction of our GHG emissions while we progress to a carbon-neutral state.

Thank you for the opportunity to testify.

Respectfully,

Micah Munekata
Director of Government Affairs

² Represents the 2021 state average annual vehicle miles traveled per the Department of Business, Economic Development and Tourism (<https://files.hawaii.gov/dbedt/economic/databook/2021-individual/18/181921.pdf>)

TAX FOUNDATION OF HAWAII

126 Queen Street, Suite 305

Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: FUEL, MISCELLANEOUS, MOTOR VEHICLE, New Road Usage Charge for Electric Vehicles

BILL NUMBER: HB 1110 HD 2

INTRODUCED BY: House Committee on Consumer Protection & Commerce

EXECUTIVE SUMMARY: Creates a mileage-based road usage charge to replace state motor fuel taxes, beginning on 7/1/2025, for electric vehicles. Eliminates the \$50 annual state vehicle registration surcharge for electric vehicles. Allows electric vehicles a choice of paying a registration surcharge or a per-mile road usage charge until 2033. Requires motor vehicle registration applications to specify the type of fuel for which the vehicle is adapted. Requires certificates of inspection to state the odometer reading. Requires the department of transportation to plan for the deployment of a state mileage-based road user charge program by 2033 and submit a report to the legislature.

SYNOPSIS: Adds a new section to chapter 249, HRS, to impose a road usage charge (RUC) in the amount of 0.8 cents per mile traveled less the estimated amount of paid state motor fuel taxes. Applies to electric vehicles, defined as a vehicle, with four or more wheels, a gross vehicle weight rating less than or equal to ten thousand pounds, and the capability to operate legally at a speed of more than thirty-five miles per hour, that draws propulsion energy exclusively from a battery that can be recharged from an external source of electricity. The number of miles traveled will be determined by comparing the odometer readings in the vehicle's two most recent annual vehicle inspection (safety check) reports.

RUC realizations are deposited into the state highway fund.

Provides that vehicle owners may elect to pay a \$50 registration surcharge in lieu of the RUC until June 30, 2028.

Amends section 249-31, HRS, to delete the annual registration surcharge of \$50 that now applies to electric vehicles. The surcharge, after amendment, will apply only to alternative fuel vehicles.

EFFECTIVE DATE: June 30, 3000.

STAFF COMMENTS: This is an Administration bill sponsored by the Department of Transportation and designated TRN-11 (23). It authorizes a program called HiRUC that has been in the works for a few years now.

We observe that the State's policy toward electric and other zero-emission vehicles has not been consistent. In the early 2010's, State policy was to incentivize such vehicles for being environmentally friendlier. Several benefits came with the special plate that accompanied an electric vehicle, including the ability to park at government parking lots (including at the airport!) and street spaces for free, and the ability to jump into carpool lanes even though there is

just one person in the car. Sadly, good things don't last forever. The free parking benefit and the carpool lane benefit expired on June 30, 2020, according to the terms of the 2012 law that spawned them (Act 168, SLH 2012).

The pendulum started swinging the other way this decade. From January 1, 2020, thanks to Act 280, SLH 2019, electric vehicle owners were slapped with a \$50 surcharge on their annual vehicle registration fees.

The reason for the reversal appears to be economic: the Department of Transportation needs money to repair and construct roads, bridges, highways, and byways. Its primary source of money to do that has been the State Highway Fund, which is fed primarily by the fuel tax. As electric vehicles and other alternative fuel vehicles gain acceptance, however, fewer people buy fuel, and the fuel tax has been slowly drying up.

As the Department of Transportation stated in its justification sheet accompanying this bill:

The Department of Transportation recently completed the Hawaii Road Usage Charge Demonstration Project. One recommendation from the Final Report is to adopt a per-mile road usage charge system to provide a fair and sustainable funding mechanism for the State's road infrastructure. With the increasing fuel efficiency of vehicles and the increasing popularity of alternative fuel vehicles, there is a need to establish a means to pay for road maintenance and improvement that would be fair to all users, is sustainable, and supports the State of Hawaii's energy independence goals.

Are electric vehicles and alternative fuel vehicles to be incentivized for their environmental benefits or surcharged because they aren't generating enough fuel tax revenue to pay for their fair share of transportation maintenance? The State and the public could benefit by having leadership and consistent policy relating to electric vehicles and other zero emission vehicles.

Digested: 2/23/2023



DATE: February 24, 2023
TIME: 1:30 PM
PLACE: VIA VIDEOCONFERENCE and Conference Room 308
BILL: HB 1110, HD2, Relating to the Road Usage Charge Program

Aloha Chair Yamashita, Vice Chair Kitagawa and members of the committee!

On behalf of the Hawai'i Automobile Dealers Association (HADA), we are writing to respectfully **comment** on HB 1110, HD2, relating to the road usage charge program. This bill creates a mileage-based road usage charge to replace state motor fuel taxes beginning on July 1, 2025, for electric vehicles and eliminates the \$50 annual state vehicle registration surcharge for electric vehicles. Among other provisions, it allows electric vehicles a choice of paying a registration surcharge or a per-mile road usage charge until 2033.

HADA supports working collaboratively with policy leaders to ensure that the state's clean energy goals are met. HADA is presently proactively discussing with stakeholders, including state agency leaders, many of the issues addressed in this bill. For example, we have sought to explore the experience of other states and question whether any of them have adopted a road usage charge system? We would look to the Department of Transportation and others to explore whether there are any other options to generate revenue to address the need for road repairs. We ask whether the proposed road usage charge could have a potential negative affect on the rate of EV adoption. We look forward to working with policy leaders to seek the answers to these and many implementation and logistical questions.

HADA seeks to engage with legislators on issues of importance relevant to motor vehicles, our state's clean energy future, and safety. We thank you for the opportunity to testify.

The Hawai'i Automobile Dealers Association is the voice of more than 60 new car dealerships across the islands, accounting for over 4,000 direct jobs, \$6 billion total sales and more than \$250 million in general excise taxes paid.

HB-1110-HD-2

Submitted on: 2/22/2023 11:05:23 PM

Testimony for FIN on 2/24/2023 1:30:00 PM

Submitted By	Organization	Testifier Position	Testify
B.A. McClintock	Individual	Support	Written Testimony Only

Comments:

This bill is wonderful for our kupuna who don't use their cars very much as we all age. Please support this bill. Mahalo.

HB-1110-HD-2

Submitted on: 2/23/2023 6:31:03 AM

Testimony for FIN on 2/24/2023 1:30:00 PM

Submitted By	Organization	Testifier Position	Testify
Virginia Tincher	Individual	Support	Written Testimony Only

Comments:

Members of the Finance Committee,

As an EV driver I understand why a road use fee is necessary. As we transition to electric and other clean energy vehicles it will be critical to ensure funding for road maintenance.

I ask that the annual fee option be maintained at \$50 to minimize the fee impact on near-term EV adoption.

I also ask that the date for the full transition to a road use fee for all passenger vehicles (EVs and non-EVs) be the same - a transition after five years will simplify the process for the state and standardize the experience for our residents.

Mahalo,

Virginia Tincher, Aina Haina, Oahu

HB-1110-HD-2

Submitted on: 2/23/2023 8:54:26 AM

Testimony for FIN on 2/24/2023 1:30:00 PM

Submitted By	Organization	Testifier Position	Testify
Ruth Robison	Individual	Support	Written Testimony Only

Comments:

As the vehicle fleet transitions away from fossil fuels, the current system of funding transportation infrastructure through gas taxes will become insufficient. A road usage fee, also known as a vehicle miles traveled (VMT) fee or a mileage-based user fee (MBUF), is a solution to ensure that all drivers contribute to the maintenance and upkeep of the transportation system based on their actual usage of the roads.

I ask that the annual fee option be maintained at \$50 to minimize the fee impact on near-term EV adoption.

Thank you for the opportunity to submit testimony.

HB-1110-HD-2

Submitted on: 2/23/2023 8:56:07 AM

Testimony for FIN on 2/24/2023 1:30:00 PM

Submitted By	Organization	Testifier Position	Testify
Helen Cox	Individual	Support	Written Testimony Only

Comments:

Aloha Committee Members,

Please pass HD 1110 HD2. A road use fee is necessary. As our vehicle fleet transitions away from fossil fuel, it will be critical to ensure funding for transportation infrastructure maintenance and upkeep. A road usage fee accomplishes this. EVs have been subject to an annual \$50 registration surcharge for a few years. This measure replaces the fee with an option of a yearly \$50 fee OR a per-mile fee until 2028.

I ask that the annual fee option be maintained at \$50 to minimize the fee impact on near-term EV adoption.

I also ask that the date for the full transition to a road use fee for all passenger vehicles (EVs and non-EVs) be the same - a transition after five years will simplify the process for the state and standardize the experience for our residents.

Mahalo!

Helen Cox, Kalaheo, Kauai

HB-1110-HD-2

Submitted on: 2/23/2023 9:59:35 AM

Testimony for FIN on 2/24/2023 1:30:00 PM

Submitted By	Organization	Testifier Position	Testify
Katherine Fryer	Individual	Support	Written Testimony Only

Comments:

I strongly support HB1110. As our vehicle fleet transitions away from fossil fuel, it will be critical to ensure funding for transportation infrastructure maintenance and upkeep. A road usage fee accomplishes this. This measure replaces the current annual registration surcharge of \$50 for EVs with an option of a yearly \$50 fee OR a per-mile fee until 2028.

I ask that the annual fee option be maintained at \$50 to minimize the fee impact on near-term EV adoption.

I also ask that the date for the full transition to a road use fee for all passenger vehicles (EVs and non-EVs) be the same - a transition after five years will simplify the process for the state and standardize the experience for our residents.

HB-1110-HD-2

Submitted on: 2/23/2023 10:23:09 AM

Testimony for FIN on 2/24/2023 1:30:00 PM

Submitted By	Organization	Testifier Position	Testify
Cody Osborne	Individual	Support	Written Testimony Only

Comments:

I ask that the annual fee option be maintained at \$50 to minimize the fee impact on near-term EV adoption.

I also ask that the date for the full transition to a road use fee for all passenger vehicles (EVs and non-EVs) be the same - a transition after five years will simplify the process for the state and standardize the experience for our residents.

HB-1110-HD-2

Submitted on: 2/23/2023 10:49:00 AM

Testimony for FIN on 2/24/2023 1:30:00 PM

Submitted By	Organization	Testifier Position	Testify
Peter Sternlicht	Individual	Support	Written Testimony Only

Comments:

A road use fee is necessary. As our vehicle fleet transitions away from fossil fuel, it will be critical to ensure funding for transportation infrastructure maintenance and upkeep. A road usage fee accomplishes this. EVs have been subject to an annual \$50 registration surcharge for a few years. This measure replaces the fee with an option of a yearly \$50 fee OR a per-mile fee until 2028.

I ask that the annual fee option be maintained at \$50 to minimize the fee impact on near-term EV adoption.

I also ask that the date for the full transition to a road use fee for all passenger vehicles (EVs and non-EVs) be the same - a transition after five years will simplify the process for the state and standardize the experience for our residents.

HB-1110-HD-2

Submitted on: 2/23/2023 12:59:13 PM

Testimony for FIN on 2/24/2023 1:30:00 PM

Submitted By	Organization	Testifier Position	Testify
Diane Ware	Individual	Support	Written Testimony Only

Comments:

Dear Chair and FIN Committee Members,

A road use fee is necessary. As our vehicle fleet transitions away from fossil fuel, it will be critical to ensure funding for transportation infrastructure maintenance and upkeep. A road usage fee accomplishes this. EVs have been subject to an annual \$50 registration surcharge for a few years. This measure replaces the fee with an option of a yearly \$50 fee OR a per-mile fee until 2028.

I ask that the annual fee option be maintained at \$50 to minimize the fee impact on near-term EV adoption. I am a 75 year old resident of Ka'u. I own an EV, try to drive minimally and mostly charge at home on 110 outlet to be earth friendly.

I also ask that the date for the full transition to a road use fee for all passenger vehicles (EVs and non-EVs) be the same - a transition after five years will simplify the process for the state and standardize the experience for our residents.

Mahalo for reading these comments and considering them when you vote.

HB-1110-HD-2

Submitted on: 2/23/2023 5:31:34 PM

Testimony for FIN on 2/24/2023 1:30:00 PM

Submitted By	Organization	Testifier Position	Testify
Gerard Silva	Individual	Oppose	Written Testimony Only

Comments:

This is Just another way to Rip of the People of Hawaii. We the people of Hawaii will not accept this we Demand that all gas Taxes and Milage Taxes End NOW!!! NO MORE RIPPING OF THE PEOPLE!!!!!!

HB-1110-HD-2

Submitted on: 2/23/2023 8:48:17 PM

Testimony for FIN on 2/24/2023 1:30:00 PM

Submitted By	Organization	Testifier Position	Testify
Ronald "Ron" Reilly	Individual	Support	Written Testimony Only

Comments:

Dear Representative Yamashita and Members of the Finance Committee,

Thank you for hearing HB1110, which I support.

As an EV owner (Kia Niro EV), I respectfully ask that the annual **fee option be maintained at \$50** to minimize the fee impact on near-term EV adoption.

I also ask that the date for the full transition to a road use fee for all passenger vehicles (EVs and non-EVs) be the same - a transition after five years will simplify the process for the state and standardize the experience for our residents.

Thank you for your consideration, Ron Reilly Volcano Village, Hawaii