



# 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](http://energy.hawaii.gov)

Testimony of  
**MARK B. GLICK, Chief Energy Officer**

before the  
**SENATE COMMITTEE ON TRANSPORTATION AND CULTURE AND THE ARTS**  
Tuesday, February 7, 2023  
3:00 PM  
State Capitol, Conference Room 224 and Videoconference

Providing COMMENTS on  
**SB 1534**

**RELATING TO TRANSPORTATION.**

Chair Lee, Vice Chair Inouye and Members of the Committee, the Hawai'i State Energy Office (HSEO) offers comments on SB 1534, which replaces the \$50 annual vehicle registration surcharge for electric vehicles with a capped mileage-based road user fee for electric vehicles and establishes the Hawai'i Highway Safety and Modernization Council effective 7/1/2023.

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 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.

Thank you for the opportunity to testify.

# 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: SB 1534

INTRODUCED BY: LEE

EXECUTIVE SUMMARY: Replaces the \$50 annual vehicle registration surcharge for electric vehicles with a capped mileage-based road user fee for electric vehicles. Establishes the Hawai'i Highway Safety and Modernization Council effective 7/1/2023; provided that implementation of user fees take effect 1/1/2025.

SYNOPSIS: Adds a new section to chapter 249, HRS, to impose a road user fee in the amount of \_\_\_\_\_ cents per mile traveled. The amount shall be capped at the amount that the average non-electric vehicle in the State paid in fuel tax for the previous year.

Applies to electric vehicles, defined as a vehicle, with four or more wheels, 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.

Fee realizations are deposited into the state highway fund.

Adds a new section to chapter 286, HRS, to establish the Hawaii highway safety and modernization council. Several office holders are designated to serve on the council, and the governor may appoint twelve more. Council members are unpaid but may be reimbursed for expenses. Section 286-5, HRS, which establishes the state highway safety council, is repealed.

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.

Makes other technical and conforming amendments.

EFFECTIVE DATE: July 1, 2023, provided that sections 2, 4, 5 and 6 shall take effect on January 1, 2025.

STAFF COMMENTS: 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.

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: 2/5/2023



Email: [communications@ulupono.com](mailto:communications@ulupono.com)

SENATE COMMITTEE ON TRANSPORTATION & CULTURE & THE ARTS  
Tuesday, February 7, 2023 — 3:00 p.m.

**Ulupono Initiative supports SB 1534, Relating to Transportation.**

Dear Chair Lee 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 SB 1534 and offers comments.** This bill replaces the \$50 annual vehicle registration surcharge for electric vehicles with a capped mileage-based road user fee for electric vehicles, provided that implementation of user fees take effect 1/1/2025; and, establishes the Hawai'i Highway Safety and Modernization Council effective 7/1/2023.

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.<sup>1</sup> Together, these issues certainly suggest that we must explore new funding mechanisms, and a usage charge seems appropriate.

However, we also recommend the following changes to the current proposal:

- 1) *Adopt a more phased implementation approach*, as identified in HB 1110. We recommend adding specific language so that HDOT develops “a long-term mileage-based road usage charge implementation plan that includes findings, recommendations, implementation phase schedules, and proposed legislation for

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

deployment of a state mileage-based road usage charge program to encompass all passenger vehicles and light duty trucks by December 31, 2033. This plan shall also include recommendations on how to ensure compatibility with deployment of mileage-based road usage charge by any county. This plan shall be completed and submitted to the legislature no later than twenty days prior to the convening of the regular session of 2026. Pursuant to its rulemaking authority, the department of transportation shall develop rules for establishing and administering the state mileage-based road usage charge.”

- 2) *Ensure the phased implementation plan will continue to incentivize fuel efficient vehicles.* Simply put, a flat RUC does not account for the energy and climate benefits associated with more efficient vehicles, and these need to be addressed. Assuming the proposed annual road user charge of \$0.008 per mile and the vehicle owner drives approximately 9,000 miles per year<sup>2</sup>, 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 than what they currently pay in gas taxes. 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.<sup>3</sup>
- 3) *Codify the Hawai'i Highway Safety and Modernization Council's relationship to the RUC planning.* Ideally the Highway Safety and Modernization Council would review and provide recommendations on the implementation plan. It may also be worthwhile to recommend a minimum number of meetings annually, as currently they are only required to meet once a year.
- 4) *Ensure that the per-mile charges and annual caps on EVs are “fair share.”* EV owners are currently paying their fair share with the existing annual \$50 registration surcharge, and there doesn't appear to be a good reason to increase these fees currently. The \$50 surcharge, or 0.6 cents per mile, equates to the same annual fuel tax paid by a vehicle with a fuel economy of roughly 29 MPG, such as a Nissan Altima or Subaru Outback.<sup>4</sup> In other words, any vehicle with fuel efficiency greater than 29 MPG (such as a Toyota RAV4 with 35 MPG) is currently, on average, contributing less gas tax to support the system than an EV contributes.

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

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<sup>2</sup> 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>)

<sup>3</sup> <https://hiruc.org/>

<sup>4</sup> Assuming the vehicle owner drives approximately 9,000 miles per year



we can accelerate the reduction of our GHG emissions while we progress to a carbon-neutral state.

In addition to the possible transition to a road user charge, Hawai'i's transportation system faces climate concerns, cost-of-living pressures, public health crises, and mobility justice. These are incredibly important issues that put the HDOT in a very tough position—thoughtful, evidence-based conversations are necessary to effect progress.

HDOT is facing all these issues and more, and the department should not have to undertake these alone. The State Highway Safety and Modernization Council can help support the department as it strives to balance and meet the many high priorities and community needs across Hawai'i.

Thank you for the opportunity to testify.

Respectfully,

Micah Munekata  
Director of Government Affairs

February 7, 2023

**LATE**

TO: Chair Chris Lee  
Members of the Senate Committee on Transportation and Culture and the Arts

FR: Noelani Derrickson  
Public Policy and Business Development

RE: **SB1534 Relating to Transportation. - COMMENTS**

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**TESTIMONY REGARDING S.B. 1534**

**Tuesday, February 7, 2023, at 3:00 PM**

Aloha Chair Lee, Vice Chair Inouye, and Members of the Committee:

Thank you for the opportunity to provide testimony regarding S.B.1534, which would replace the current annual \$50 registration surcharge for electric vehicles with an annual per-mile road usage charge.

By design, the structure of the gas tax has been a powerful public policy tool to encourage Hawaii drivers to shift to more fuel-efficient vehicles. This shift results in reduced gas imports, ground-level pollution, and carbon emissions. As such, it is important that a proposed per-mile road usage charge for electric vehicles does not shift the incentive for Hawaii drivers to stay in or return to less fuel-efficient, combustion engine vehicles.

Additionally, we strongly recommend SB1534 provide electric vehicle drivers with the optionality to choose between the existing annual \$50 registration surcharge or a road usage charge, as is proposed in HB1110.

Thank you,

*Noelani Derrickson*

Noelani Derrickson  
Public Policy & Business Development

**SB-1534**

Submitted on: 2/4/2023 11:46:16 AM

Testimony for TCA on 2/7/2023 3:00:00 PM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Testify</b>
Caroline Azelski	Individual	Oppose	Written Testimony Only

Comments:

Oppose if it will punish daily commuters. EV's so far seem to be owned by early adopters who are largely affluent. As such they likely aren't employed or work from home. They drive less and therefore will possibly pay almost nothing of this fee. This can leave the bulk of this income generator to the commuting and potentially lower-income workers who have EVs. Thank you.



**SB-1534**

Submitted on: 2/7/2023 3:44:19 AM  
Testimony for TCA on 2/7/2023 3:00:00 PM

**LATE**

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Testify</b>
Luis Ma	Individual	Oppose	Written Testimony Only

Comments:

Oppose