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# A BILL FOR AN ACT

RELATING TO TRANSPORTATION.

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

1           SECTION 1. The legislature finds that as a means of  
2 addressing declining fuel tax revenues, the department of  
3 transportation supports the adoption of a per-mile road usage  
4 charge to provide fair and sustainable funding for the State's  
5 road infrastructure. The legislature further finds that with  
6 the existing vehicle inspection program, the State and counties  
7 are well-positioned to transition to a per-mile road usage  
8 charge with low administrative costs. In 2023, the legislature  
9 enacted a small-scale per-mile road usage charge program for  
10 electric vehicles. Beginning on July 1, 2025, drivers of  
11 electric vehicles will be provided a choice of paying a state  
12 road usage charge at a rate of 0.8 cents per mile traveled or  
13 paying a flat fee of no more than \$50 per year. This choice  
14 will be permitted until June 30, 2028, at which time all  
15 electric vehicles will pay a state road usage charge. The  
16 number of miles will be calculated based on an odometer reading  
17 recorded during the motor vehicle safety inspection. Finally,



1 the legislature required the department of transportation to  
2 develop a plan to transition all vehicles in Hawaii to a per-  
3 mile road usage charge by 2033.

4 The legislature further finds that in addition to the state  
5 fuel tax, counties rely on their own motor fuel tax to fund the  
6 maintenance and repair of county roads and bridges. Like the  
7 state fuel tax, the county fuel tax is also declining, leaving  
8 counties with less revenue to maintain their roads and bridges.  
9 The legislature now finds that counties may wish to begin  
10 transitioning to a mileage-based road usage charge as a fair and  
11 sustainable replacement for the county motor fuel tax. The  
12 legislature finds that permitting counties to do this will  
13 result in lower administrative costs for the state and county  
14 agencies tasked with implementing the road usage charge and  
15 create more efficiency and simplicity for the traveling public  
16 as the State begins transitioning to a fair and sustainable  
17 source of transportation funding.

18 The purpose of this Act is to:

- 19 (1) Authorize a county to impose a mileage-based road  
20 usage charge for electric vehicles beginning July 1,  
21 2028;



- 1 (2) Repeal the requirement for the department of
- 2 transportation to establish county subaccounts within
- 3 the state highway fund;
- 4 (3) Clarify the disposition of funds for the state
- 5 mileage-based road usage charge;
- 6 (4) Beginning July 1, 2026, extend the state mileage-based
- 7 road-usage charge to plug-in hybrid electric vehicles;
- 8 (5) Clarify the rate and calculation of the state mileage-
- 9 based road usage charge;
- 10 (6) Specify that rental motor vehicle companies may
- 11 visibly pass the costs of the mileage-based road usage
- 12 charges to the consumer;
- 13 (7) Expand the authorized usage for the disposition of
- 14 funds for the state highway fund and highway fund; and
- 15 (8) Appropriate funds.

16 SECTION 2. Chapter 249, Hawaii Revised Statutes, is  
 17 amended by adding three new sections to be appropriately  
 18 designated and to read as follows:

19 "§249-A County mileage-based road usage charge;  
 20 established. (a) Beginning July 1, 2028, in addition to all  
 21 other fees and taxes levied by this chapter, a county may impose



1 a county mileage-based road usage charge on electric vehicles.

2 (b) The county mileage-based road usage charge shall be  
3 calculated by the director of finance at the rate established  
4 under section 249-B, multiplied by the number of miles traveled,  
5 less the estimated amount of paid county fuel taxes that  
6 correspond with the number of miles traveled, as shall be  
7 determined by rule. The number of miles traveled shall be  
8 calculated as the difference between the electric vehicle's two  
9 most recent odometer readings, as noted on the vehicle's  
10 certificate of inspection issued pursuant to section 286-26(e).

11 (c) If a county establishes a mileage-based road usage  
12 charge pursuant to section 249-B, for the first registration  
13 renewal of new electric vehicles for which no certificate of  
14 inspection is required, the county mileage-based road usage  
15 charge assessed shall be \$50, which shall be subtracted from the  
16 calculation of the county mileage-based road usage charge upon  
17 that vehicle's second registration renewal.

18 (d) The county mileage-based road usage charge shall be  
19 paid each year following the electric vehicle's most recent  
20 inspection together with all other taxes and fees levied by this  
21 chapter on a staggered basis as established by each county as



1 authorized by section 286-51 to ensure that the county mileage-  
2 based road usage charge is due and payable at the same time and  
3 shall be collected together with the county registration fee.

4 The county mileage-based road usage charge shall be deemed  
5 delinquent if not paid with the county registration fee.

6 (e) Notwithstanding subsection (a), all electric vehicles  
7 registered in the State that qualify for an exemption under  
8 sections 249-4, 249-5.5, 249-6, and 249-6.5 shall be exempt from  
9 this section.

10 (f) Each county may adopt rules pursuant to chapter 91 for  
11 establishing and administering the county mileage-based road  
12 usage charge.

13 (g) For the purposes of this section "electric vehicle"  
14 has the same meaning as in section 249-36.

15 §249-B County mileage-based road usage charge; rate;  
16 establishment. (a) Each county shall establish the rate to be  
17 used to calculate the amount of that county's mileage-based road  
18 usage charge in the manner provided for by ordinances involving  
19 the expenditure of public funds; provided that until the rate is  
20 established, the county mileage-based road usage charge for that  
21 county shall be zero. The amount of the county mileage-based



1 road usage charge shall be comparable to the county fuel tax and  
2 no more than the estimated county fuel tax.

3 (b) No ordinance establishing the rate for a county  
4 mileage-based road usage charge shall be adopted until a public  
5 hearing on the proposed rate for the county mileage-based road  
6 usage charge has been held. Public notice of the hearing shall  
7 be given at least twice within the thirty-day period immediately  
8 preceding the date of the hearing. The rate for the county  
9 mileage-based road usage charge shall take effect on the first  
10 day of the second month following the adoption of an ordinance  
11 establishing a county mileage-based road usage charge.

12 (c) Each county may establish a per mile rate for a county  
13 mileage-based road usage charge that is:

14 (1) One or more cents, a fraction of a cent, or both; or  
15 (2) Zero.

16 (d) If a county mileage-based road usage charge cannot be  
17 calculated because of missing, incomplete, or incorrect odometer  
18 reading information, a vehicle subject to the county  
19 mileage-based road usage charge shall be subject to a default  
20 county mileage-based road usage charge as established by the  
21 county.



1        §249-C County mileage-based road usage charge;  
2 dispositions. The county mileage-based road usage charge for  
3 each county shall be collected by the respective county and  
4 deposited into the respective county highway fund established  
5 pursuant to section 249-18; provided that amounts collected in  
6 the county of Maui on vehicle miles traveled on the island of  
7 Lanai shall be used solely for expenditures on the island of  
8 Lanai; provided further that the amounts collected in the county  
9 of Maui on vehicle miles traveled on the island of Molokai shall  
10 be used solely for expenditures on the island of Molokai."

11        SECTION 3. Section 248-9, Hawaii Revised Statutes, is  
12 amended to read as follows:

13        "§248-9 State highway fund. (a) Moneys in the state  
14 highway fund may be expended for the following purposes:

15        (1) To pay the costs of operation, maintenance, and repair  
16        of the state highway system, and infrastructure and  
17        related appurtenances pursuant to section 264-142,  
18        including without limitation, the cost of equipment  
19        and general administrative overhead;

20        (2) To pay the costs of acquisition, including real  
21        property and interests therein; planning; designing;



1 construction; and reconstruction of the state highway  
2 system and bikeways, and infrastructure and related  
3 appurtenances pursuant to section 264-142, including  
4 without limitation, the cost of equipment and general  
5 administrative overhead;

6 (3) To reimburse the general fund for interest on and  
7 principal of general obligation bonds issued to  
8 finance highway projects where the bonds are  
9 designated to be reimbursable out of the state highway  
10 fund;

11 (4) To pay the costs of construction, maintenance, and  
12 repair of county roads; provided that none of the  
13 funds expended on a county road or program shall be  
14 federal funds when expenditure would cause a violation  
15 of federal law or a federal grant agreement; [and]

16 (5) To pay the costs of establishing and maintaining a  
17 drug and alcohol toxicology testing laboratory that is  
18 intended to support the prosecution of offenses  
19 relating to operation of a motor vehicle while under  
20 the influence of an intoxicant[-];



1        (6) For the purposes and functions connected with traffic  
2        control and preservation of safety upon the public  
3        highways and streets; and

4        (7) Other measures to reduce vehicle miles traveled.

5        (b) At any time, the director of transportation may  
6 transfer from the state highway fund all or any portion of  
7 available moneys determined by the director of transportation to  
8 exceed one hundred thirty-five per cent of the requirements for  
9 the ensuing twelve months for the state highway fund as  
10 permitted by and in accordance with section 37-53. For purposes  
11 of the determination, the director of transportation shall take  
12 into consideration:

13        (1) The amount of federal funds and bond funds on deposit  
14        in, and budgeted to be expended from, the state  
15        highway fund during the period;

16        (2) Amounts on deposit in the state highway fund that are  
17        encumbered or otherwise obligated;

18        (3) Budgeted amounts payable from the state highway fund  
19        during the period;

20        (4) Revenues anticipated to be received by and  
21        expenditures to be made from the state highway fund



1           during the period based on existing agreements and  
2           other information for the ensuing twelve months; and  
3       (5) Any other factors as the director of transportation  
4           shall deem appropriate.

5       ~~[(c) The department of transportation shall establish~~  
6 ~~county subaccounts within the state highway fund.~~  
7 ~~Notwithstanding subsections (a) and (b), funds in each county~~  
8 ~~subaccount shall be expended for state highway road capacity~~  
9 ~~projects in the respective county.~~

10       ~~For purposes of this subsection, "state highway road~~  
11 ~~capacity project" means construction:~~

- 12       ~~(1) Of a new road;~~
- 13       ~~(2) To widen or add additional lanes to an existing road;~~
- 14       ~~or~~
- 15       ~~(3) That increases the number of vehicles that may be~~  
16       ~~driven on an island and alleviates the level of~~  
17       ~~traffic congestion on existing roads of that island,~~  
18 ~~and any planning, design, or right of way acquisition related to~~  
19 ~~the construction.] "~~

20       SECTION 4. Section 249-18, Hawaii Revised Statutes, is  
21 amended to read as follows:



1           "§249-18 Highway fund. All taxes, fees, or charges  
2 collected under this chapter, except those collected pursuant to  
3 sections 249-14 and 249-14.5[7] and the state mileage-based road  
4 usage charge established under 249-36, shall be deposited in a  
5 county fund to be known as the "highway fund" and shall be  
6 expended in the county in which the taxes, fees, or charges are  
7 collected for the following purposes:

- 8           (1) For acquisition, designing, construction, improvement,  
9           repair, and maintenance of public roads and highways,  
10           including without restriction of the foregoing  
11           purposes, costs of new land therefor, of permanent  
12           storm drains or new bridges, as well as repairs or  
13           additions to storm drains or bridges;
- 14           (2) For installation, maintenance, and repair of street  
15           lights and power, and other charges for street  
16           lighting purposes, including replacement of old street  
17           lights, on county maintained public roads and  
18           highways;
- 19           (3) For purposes and functions connected with traffic  
20           control and preservation of safety upon the public  
21           highways and streets;



1 (4) For payment of interest on and redemption of bonds  
2 issued to finance highway and street construction and  
3 improvements;

4 (5) In the case of the city and county of Honolulu, for  
5 appropriation for the police department up to the sum  
6 of \$500,000. No expenditures shall be made out of  
7 this fund [~~which~~] that will jeopardize federal aid for  
8 highway construction;

9 (6) For purposes and functions connected with mass  
10 transit; and

11 (7) For the acquisition, design, construction,  
12 improvement, repair, and maintenance of bikeways[-]  
13 and walkways; and

14 (8) Other measures to reduce vehicle miles traveled."

15 SECTION 5. Section 249-36, Hawaii Revised Statutes, is  
16 amended by amending subsection (a) to read as follows:

17 "(a) [~~Beginning July 1, 2025, in~~] In addition to all other  
18 fees and taxes levied by this chapter, electric vehicles,  
19 beginning July 1, 2025, shall be subject to a state  
20 mileage-based road usage charge. The state mileage-based road  
21 usage charge shall be calculated by the county director of



1 finance at the rate of 0.8 cents per mile traveled, multiplied  
2 by the number of miles traveled, less the estimated amount of  
3 paid state fuel taxes that correspond with the number of miles  
4 traveled. The department shall adopt rules pursuant to chapter  
5 91 to determine the method for calculating the estimated amount  
6 of paid state fuel taxes that correspond with the number of  
7 miles traveled. The number of miles traveled shall be  
8 calculated as the difference between the vehicle's two most  
9 recent odometer readings, as noted on the vehicle's certificate  
10 of inspection pursuant to section 286-26(e). The state  
11 mileage-based road usage charge shall be [~~not~~] no less than \$0,  
12 and, until June 30, 2028, the state mileage-based road usage  
13 charge shall be [~~not~~] no more than \$50 per year. For the first  
14 registration renewal of new motor vehicles for which no  
15 certificate of inspection is required, the state mileage-based  
16 road usage charge assessed shall be \$50, and [~~such~~] the amount  
17 once paid shall be subtracted from the calculation of the state  
18 mileage-based road usage charge upon that vehicle's second  
19 registration renewal. If the state mileage-based road usage  
20 charge cannot be calculated because of missing, incomplete, or  
21 incorrect odometer reading information:



1       (1) Until June 30, 2028, a vehicle subject to the state  
2       mileage-based road usage charge is subject to a  
3       default state mileage-based road usage charge of \$50;

4       and

5       (2) Effective July 1, 2028, a vehicle subject to the state  
6       mileage-based road usage shall be subject to a default  
7       state mileage-based road usage charge of \$80."

8       SECTION 6. Section 437D-3, Hawaii Revised Statutes, is  
9       amended by amending the definition of "vehicle license recovery  
10      fees" to read as follows:

11       ""Vehicle license recovery fees" includes motor vehicle  
12      weight taxes under section 249-2; fees connected with the  
13      registration of specially constructed, reconstructed, or rebuilt  
14      vehicles, special interest vehicles, or imported vehicles as  
15      referenced in section 286-41(c); license plate and emblem fees  
16      under section 249-7(b); state and county mileage-based road  
17      usage charges under sections 249-36 and 249-A; inspection fees  
18      as referenced in section 286-26; highway beautification fees as  
19      referenced in section 286-51(b)(1); and any use tax under  
20      chapter 238."



1 SECTION 7. There is appropriated out of the state highway  
2 fund the sum of \$ or so much thereof as may be  
3 necessary for fiscal year 2025-2026 for the implementation of  
4 the state mileage-based road usage charge program, to be used  
5 with available federal funds; provided that moneys appropriated  
6 pursuant to this section shall not lapse at the end of the  
7 fiscal year and any unexpended or unencumbered funds as of  
8 June 30, 2026, shall lapse into the state highway fund as of  
9 that date.

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

12 SECTION 8. There is appropriated out of the state highway  
13 fund the sum of \$ or so much thereof as may be  
14 necessary for fiscal year 2025-2026 to be used with \$802,400  
15 federal funds and the sum of \$ or so much thereof as  
16 may be necessary for fiscal year 2026-2027 to be used with  
17 \$1,542,480 federal funds, for the continued implementation of  
18 the state mileage-based road user charge established pursuant to  
19 section 249-36, Hawaii Revised Statutes; provided that the  
20 moneys appropriated for fiscal year 2025-2026 and fiscal year  
21 2026-2027 for the purposes of this Act shall not lapse at the



1 end of their respective fiscal year and any unexpended or  
2 unencumbered funds as of June 30, 2028, shall lapse into the  
3 state highway fund as of that date.

4 The sums appropriated shall be expended by the department  
5 of transportation for the purposes of this Act.

6 SECTION 9. In codifying the new sections added by  
7 section 2 of this Act, the revisor of statutes shall substitute  
8 appropriate section numbers for the letters used in designating  
9 and referring to the new sections in this Act.

10 SECTION 10. Statutory material to be repealed is bracketed  
11 and stricken. New statutory material is underscored.

12 SECTION 11. This Act shall take effect on July 1, 3000.



**Report Title:**

DOT; Electric Vehicles; State Mileage-Based Road Usage Charge;  
County Mileage-Based Road Usage Charge; State Highway Fund;  
Highway Fund; Disposition of Funds; Appropriations

**Description:**

Beginning 7/1/2028, authorizes a county to impose a mileage-based road usage charge on electric vehicles. Provides and requires a county to establish the rate of the road usage charge. Repeals the requirement for the Department of Transportation to establish county subaccounts within the State Highway Fund. Clarifies the disposition of funds for state mileage-based road usage charge. Clarifies the rate and calculation of the state mileage-based road usage charge. Specifies that rental motor vehicle companies may visibly pass the costs of the mileage-based road usage charges to the consumer. Expands allowable uses of the State Highway and Highway Funds. Appropriates funds. Effective 7/1/3000. (SD1)

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

