

S.B. NO. 1480

JAN 23 2025

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,

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

17 The purposes of this Act are to:

- 18 (1) Establish a state mileage-based road usage charge
19 subaccount within the state highway fund;
- 20 (2) Authorize counties to establish a county mileage-based
21 road usage charge for electric vehicles beginning July
22 1, 2028;

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- 1 (3) Establish a process for the counties to adopt a per-
2 mile rate by ordinance;
- 3 (4) Clarify the use of moneys collected under the state
4 and county road usage charges; and
- 5 (5) Clarify certain procedures when calculating the state
6 and county road usage charge is not possible due to
7 incomplete information.

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

11 "§249-A County mileage-based road usage charge;
12 established. (a) Beginning July 1, 2028, in addition to all
13 other fees and taxes levied by this chapter, a county may impose
14 a county mileage-based road usage charge on electric vehicles.

15 (b) The county mileage-based road usage charge shall be
16 calculated by the director of finance at the rate established
17 under section 249-B, multiplied by the number of miles traveled,
18 less the estimated amount of paid county motor fuel taxes that
19 correspond with the number of miles traveled, as shall be
20 determined by rule. The number of miles traveled shall be
21 calculated as the difference between the electric vehicle's two
22 most recent odometer readings, as noted on the electric

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1 vehicle's certificate of inspection issued pursuant to section
2 286-26(e).

3 (c) If a county establishes a mileage-based road usage
4 charge pursuant to section 249-B, for the first registration
5 renewal of new electric vehicles for which no certificate of
6 inspection is required, the county mileage-based road usage
7 charge assessed shall be \$50, which shall be subtracted from the
8 calculation of the county mileage-based road usage charge upon
9 that electric vehicle's second registration renewal.

10 (d) The county mileage-based road usage charge shall be
11 paid each year following the electric vehicle's most recent
12 inspection together with all other taxes and fees levied by this
13 chapter on a staggered basis as established by each county as
14 authorized by section 286-51 to ensure that the county mileage-
15 based road usage charge is due and payable at the same time and
16 shall be collected together with the county registration fee.
17 The county mileage-based road usage charge shall be deemed
18 delinquent if not paid with the county registration fee.

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

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

4 (g) For the purposes of this section, "electric vehicle"
5 has the same meaning as defined in section 249-36.

6 **§249-B County mileage-based road usage charge; rate;**
7 **establishment.** (a) Each county shall establish the rate to be
8 used to calculate the amount of that county's mileage-based road
9 usage charge in the manner provided for ordinances involving the
10 expenditure of public funds; provided that until such rate is
11 established, the county mileage-based road usage charge for each
12 county shall be zero.

13 (b) No ordinance establishing the rate for a county
14 mileage-based road usage charge shall be adopted until a public
15 hearing on the proposed rate for the county mileage-based road
16 usage charge has been held. Public notice of the hearing shall
17 be given at least twice within the thirty-day period immediately
18 preceding the date of the hearing. The rate for the county
19 mileage-based road usage charge shall take effect on the first
20 day of the second month following the adoption of an ordinance
21 establishing a county mileage-based road usage charge.

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

3 (1) One or more cents, a fraction of a cent, or both; or

4 (2) Zero.

5 (d) If a county mileage-based road usage charge cannot be
6 calculated because of missing, incomplete, or incorrect odometer
7 reading information, a vehicle subject to the county mileage-
8 based road usage charge is subject to a default county mileage-
9 based road usage charge as established by the county.

10 **§249-C County mileage-based road usage charge;**
11 **dispositions.** The county mileage-based road usage charge for
12 each county shall be collected by the respective county and
13 deposited into the respective county highway fund established
14 pursuant to section 249-18; provided that amounts collected in
15 the county of Maui on vehicle miles traveled on the island of
16 Lanai shall be used solely for expenditures on the island of
17 Lanai; provided further that the amounts collected in the county
18 of Maui on vehicle miles traveled on the island of Molokai shall
19 be used solely for expenditures on the island of Molokai."

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

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1 "§248-9 State highway fund. (a) Moneys in the state
2 highway fund may be expended for the following purposes:

3 (1) To pay the costs of operation, maintenance, and repair
4 of the state highway system, including without
5 limitation, the cost of equipment and general
6 administrative overhead;

7 (2) To pay the costs of acquisition, including real
8 property and interests therein; planning; designing;
9 construction; and reconstruction of the state highway
10 system and bikeways, including without limitation, the
11 cost of equipment and general administrative overhead;

12 (3) To reimburse the general fund for interest on and
13 principal of general obligation bonds issued to
14 finance highway projects where the bonds are
15 designated to be reimbursable out of the state highway
16 fund;

17 (4) To pay the costs of construction, maintenance, and
18 repair of county roads; provided that none of the
19 funds expended on a county road or program shall be
20 federal funds when expenditure would cause a violation
21 of federal law or a federal grant agreement; [and]

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1 (5) To pay the costs of establishing and maintaining a
2 drug and alcohol toxicology testing laboratory that is
3 intended to support the prosecution of offenses
4 relating to operation of a motor vehicle while under
5 the influence of an intoxicant.

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

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

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

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

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

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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 (c) The department of transportation shall establish a
21 state mileage-based road usage charge subaccount within the
22 state highway fund."

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

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

10 (1) For acquisition, designing, construction, improvement,
11 repair, and maintenance of public roads and highways,
12 including without restriction of the foregoing
13 purposes, costs of new land therefor, of permanent
14 storm drains or new bridges, as well as repairs or
15 additions to storm drains or bridges;

16 (2) For installation, maintenance, and repair of street
17 lights and power, and other charges for street
18 lighting purposes, including replacement of old street
19 lights, on county maintained public roads and
20 highways;

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- 1 (3) For purposes and functions connected with traffic
- 2 control and preservation of safety upon the public
- 3 highways and streets;
- 4 (4) For payment of interest on and redemption of bonds
- 5 issued to finance highway and street construction and
- 6 improvements;
- 7 (5) In the case of the city and county of Honolulu, for
- 8 appropriation for the police department up to the sum
- 9 of \$500,000. No expenditures shall be made out of
- 10 this fund [~~which~~] that will jeopardize federal aid for
- 11 highway construction;
- 12 (6) For purposes and functions connected with mass
- 13 transit; and
- 14 (7) For the acquisition, design, construction,
- 15 improvement, repair, and maintenance of bikeways."

16 SECTION 5. Section 249-36, Hawaii Revised Statutes, is

17 amended by amending subsection (a) to read as follows:

18 "(a) Beginning July 1, 2025, in addition to all other fees

19 and taxes levied by this chapter, electric vehicles shall be

20 subject to a state mileage-based road usage charge. The state

21 mileage-based road usage charge shall be calculated by the

22 county director of finance at the rate of 0.8 cents per mile

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

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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 There is established within the state highway fund a state
9 mileage-based road usage charge subaccount. All fees, taxes,
10 and charges collected by this chapter shall be deposited into a
11 state mileage-based road usage subaccount under the state
12 highway fund to be administered by the department of
13 transportation; provided that funds can be used to pay for any
14 expenditures in collaboration with the state mileage-based road
15 usage charge including disbursements or reimbursements back to
16 the vehicle owners."

17 SECTION 6. Section 431:10C-103, Hawaii Revised Statutes,
18 is amended by amending the definition of "motor vehicle" to read
19 as follows:

20 "Motor vehicle" means any vehicle of a type required to be
21 registered under chapter 286, including a trailer attached to

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1 [such] a vehicle, but not including motorcycles [~~and motor~~
2 ~~seoters~~]."

3 SECTION 7. Section 437D-3, Hawaii Revised Statutes, is
4 amended by amending the definition of "vehicle license recovery
5 fees" to read as follows:

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

16 SECTION 8. There is appropriated out of the state highway
17 fund the sum of \$1,700,000 or so much thereof as may be
18 necessary for fiscal year 2024-2025 to be used with available
19 federal funds, for the implementation of the state mileage-based
20 road usage charge program; provided that the moneys appropriated
21 for fiscal year 2024-2025 for the purposes of this Act shall not
22 lapse at the end of the fiscal year; provided further that all

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1 moneys appropriated for fiscal year 2024-2025 that are
2 unexpended or unencumbered as of June 30, 2026, shall lapse into
3 the state highway fund.

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

6 SECTION 9. There is appropriated out of the state highway
7 fund the sum of \$200,600 or so much thereof as may be necessary
8 for fiscal year 2025-2026 to be used with \$802,400 federal funds
9 and the sum of \$385,620 or so much thereof as may be necessary
10 for fiscal year 2026-2027 to be used with \$1,542,480 federal
11 funds, for the continued implementation of the state mileage-
12 based road user charge established pursuant to section 249-36,
13 Hawaii Revised Statutes; provided that the moneys appropriated
14 for fiscal year 2025-2026 and fiscal year 2026-2027 for the
15 purposes of this Act shall not lapse at the end of their
16 respective fiscal year; provided further that all moneys
17 appropriated for fiscal year 2025-2026 and fiscal year 2026-2027
18 that are unexpended or unencumbered as of June 30, 2028, shall
19 lapse into the state highway fund.

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

22 SECTION 10. In codifying the new sections added by

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1 section 2 of this Act, the revisor of statutes shall substitute
2 appropriate section numbers for the letters used in designating
3 and referring to the new sections in this Act.

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

6 SECTION 12. This Act shall take effect upon its approval.

7

8

INTRODUCED BY: *M. J. M.*

9

BY REQUEST

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Report Title:

Department of Transportation; Electric Vehicles; State Mileage-Based Road Usage Charge; County Mileage-Based Road Usage Charge

Description:

Provides authority for a county to impose a mileage-based road usage charge. Provides for disposition of funds of county mileage-based road usage charge. Clarifies the disposition of funds of state mileage-based road usage charge. Repeals the maximum amount a driver will pay in a state mileage-based road usage charge on June 30, 2028. Establishes a default state mileage-based road usage charge rate when missing, incomplete, or incorrect odometer reading information that will prevent the state mileage-based road usage charge from being calculated. Establishes a state mileage-based road usage charge subaccount to allow for the disbursements or reimbursements back to vehicle owners.

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

JUSTIFICATION SHEET

SB. NO. 1480

DEPARTMENT: Transportation

TITLE: A BILL FOR AN ACT RELATING TO
TRANSPORTATION.

PURPOSE: To establish a State Mileage-Based Road Usage Charge subaccount within the State Highway Fund.

To authorize counties to establish a county mileage-based road usage charge to replace the county motor fuel tax for electric vehicles, requiring electric vehicle owners to pay a per-mile county road usage charge beginning July 1, 2028.

To provide a process by which counties adopt a per-mile rate by county or city ordinance.

To clarify the use of moneys collected under the state and county mileage-based road usage charge including establishing a State Mileage-Based Road Usage Charge subaccount in the State Highway Fund to collect, expend, disburse, or reimburse fees and charges from and to vehicle owners.

To clarify certain procedures when calculating the state and county mileage-based road usage charge is not possible due to incomplete information.

To appropriate \$1,700,000 out of the State Highway Fund for fiscal year 2024-2025 for the implementation of the state mileage-based road usage charge program.

To appropriate funds out of the State Highway Fund for fiscal year 2025-2026 and fiscal year 2026-2027 to provide additional consultant services towards the implementation of the state mileage-based road usage charge in conjunction with

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authorizing a county mileage-based road usage charge to replace the county fuel tax.

MEANS: Add three new sections to chapter 249, Hawaii Revised Statutes (HRS), and amend sections 248-9, 249-18, 249-36(a), 431:10C-103, and 473D-3, HRS.

JUSTIFICATION: The Hawaii Road Usage Charge Demonstration Project published its final report in August 2022. The Legislature enacted, by Act 222 in 2023, a small-scale per-mile state road usage charge program for electric vehicles.

With the existing vehicle inspection program, Hawaii is well-positioned to transition to a per-mile road usage charge system at low administrative costs.

In addition to the state fuel tax, counties rely on their own motor fuel tax to fund the maintenance and repair of county roads and bridges. Like the state fuel tax, the county fuel tax is also declining, leaving counties with less revenue to maintain their roads and bridges.

Additional road usage charge consultant services in fiscal year 2025-2026 and fiscal year 2026-2027 are needed to conduct outreach, develop and execute the system implementation plan; to conduct policy implementation research; and to provide the State's 20 percent share in obtaining federal funding for the road usage charge program.

Impact on the public: The county mileage-based road usage charge would be collected along with the other annual registration fees. Mileage information will be collected using the existing periodic vehicle inspection as is done currently.

Impact on the department and other agencies: Counties may enact a road usage charge by ordinance.

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GENERAL FUND: None.

OTHER FUNDS: State Highway Fund.
- Fiscal year 2024-2025 \$1,700,000.
- Fiscal year 2025-2026 \$200,600.
- Fiscal year 2026-2027 \$385,620.

PPBS PROGRAM
DESIGNATION: TRN 595.

OTHER AFFECTED
AGENCIES: County of Kauai; City and County of
Honolulu; County of Maui; and County of
Hawaii.

EFFECTIVE DATE: Upon approval.