



STATE OF HAWAI'I | KA MOKU'ĀINA 'O HAWAI'I
DEPARTMENT OF TRANSPORTATION | KA 'OIHANA ALAKAU
869 PUNCHBOWL STREET
HONOLULU, HAWAII 96813-5097

March 13, 2025
3:00 p.m.
State Capitol, Room 224 & Videoconference

H.B. 1161, H.D. 2
RELATING TO TRANSPORTATION

Senate Committee on Transportation and Culture and the Arts
Senate Committee on Energy and Intergovernmental Affairs

The Hawaii Department of Transportation (HDOT) **supports H.B 1161** that authorizes counties to enact a county mileage-based road usage charge (RUC) for electric vehicles beginning July 1, 2028; provides a process by which counties adopt a per-mile rate by county or city resolution; directs moneys from collection of a county road usage charge for use in the county in which the county road usage charge is collected; repeals the cap on the state road usage charge; and establishes a default road usage charge when there is insufficient information to calculate a road usage charge.

Hawaii's four counties pay for the maintenance and improvements of county roads through user fees like the county fuel tax. Like the state fuel tax, county fuel tax revenue is also declining, leaving counties with less revenue for maintenance and improvements. As a result, the counties are interested in transitioning to a mileage-based RUC as a fair and sustainable replacement for the county fuel tax.

H.B. 1161 provides the counties with the authorization to enact a RUC for electric vehicles beginning July 1, 2028. The legislation requires a county RUC to operate consistent with the state RUC, allowing the counties to set their own RUC rate. Permitting the counties to enact a county RUC at the same time offers the opportunity to make administration of the program more efficient and provide for a simpler process for the traveling public.

While HDOT recognizes the importance of including plug-in hybrid electric vehicles (PHEVs) in a RUC program, the HDOT proposes that the analysis of when and how to add other classes of vehicles into the RUC program is better suited for the Long-Term Transition Plan, which is due to the Legislature in December 2025. Forthcoming input from the long-term transition plan and its attendant Long-Term Transition Advisory Group will inform policy changes and clarifications needed to address the complexities of identifying PHEVs in the motor vehicle registration system starting with the 2026 legislative session. For these reasons, the HDOT recommends

the committee remove the language in the bill that would include PHEVs in the RUC program beginning in 2026.

In addition, the HDOT also proposes the following amendments to the appropriation amounts to be considered for the undertaking of the state RUC and county RUC programs.

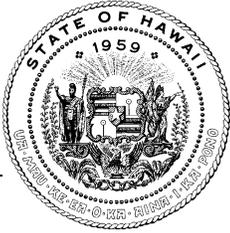
Strike Section 7, Page 16, Lines 3 – 11. This amendment is replaced and encompassed in the Section 8 amendment below.

Amend Section 8, Page 16, Line 12 – Page 17, Line 5 to read as follows:

“ SECTION 8. There is appropriated out of the state highway fund, the sum of \$5,332,800 or so much thereof as may be necessary for fiscal year 2025-2026 to be used with available federal funds and the sum of \$3,175,600 or so much thereof as may be necessary for fiscal year 2026-2027 to be used with available federal funds, for the continued implementation of the state mileage-based road user charge established pursuant to Section 249-36, Hawaii Revised Statutes; provided that the moneys appropriated for fiscal year 2025-2026 and fiscal year 2026-2027 for the purposes of this Act shall not lapse at the end of their respective fiscal year; provided further that all moneys appropriated for fiscal year 2025-2026 and fiscal year 2026-2027 that are unexpended or unencumbered as of June 30, 2028, shall lapse into the state highway fund.

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

Thank you for the opportunity to provide testimony.



HAWAII STATE ENERGY OFFICE STATE OF HAWAII

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

Telephone: (808) 451-6648
Web: energy.hawaii.gov

Testimony of
MARK B. GLICK, Chief Energy Officer

before the
**SENATE COMMITTEES ON
TRANSPORTATION AND CULTURE AND THE ARTS
AND
ENERGY AND INTERGOVERNMENTAL AFFAIRS**

Thursday, March 13, 2025
3:00 PM
State Capitol, Conference Room 224 and Videoconference

In Support of
HOUSE BILL 1161 HD2

RELATING TO TRANSPORTATION.

Chairs Lee and Wakai, Vice Chairs Inouye and Chang, and Members of the Committees, the Hawai'i State Energy Office (HSEO) supports HB1161 HD2 that provides authority for counties to impose a mileage-based road usage charge and clarifies the disposition of funds related to such charges.

HSEO's comments are guided by our statutory mission to promote energy efficiency, renewable energy, and clean transportation as laid out in HRS §196-71 and the specific duties of the Chief Energy Officer pursuant to §196-72 relating to clean transportation, as well as the interface of clean transportation in the overall energy ecosystem.

As Hawai'i works toward decarbonizing its transportation sector and transitioning to cleaner, more sustainable transportation options, securing a reliable and equitable source of funding for transportation infrastructure is essential. HB 1161 HD2 aligns with the state's decarbonization goals by allowing counties to implement a mileage-based road usage charge. This shift from traditional fuel taxes to a per-mile charge is important

for ensuring the financial sustainability of Hawai'i's transportation system as the use of electric vehicles (EVs) increases.

HSEO stands ready to work with the Department of Transportation and counties to further the state's decarbonization goals and ensure the success of a mileage-based road usage charge program that will support the evolving transportation needs of Hawai'i. We believe that this bill represents an important step toward a sustainable and fair transportation system in Hawai'i.

Thank you for the opportunity to testify.



Testimony of the Hawai'i State Association of Counties

H.B. No. 1161 HD2 - Support

Relating to Transportation

Committee on Transportation and Culture and the Arts
Committee on Energy and Intergovernmental Affairs

Thursday, March 13, 2025, 3:00 p.m.

The Hawai'i State Association of Counties (HSAC) appreciates the opportunity to provide testimony in **support** of HB 1161 HD2, which authorizes counties to implement a mileage-based road usage charge (RUC) for electric vehicles (EVs).

HSAC is a non-profit organization representing Hawai'i's four counties: Kaua'i, Maui, Hawai'i, and the City & County of Honolulu. HSAC's membership includes all county council members, who collaborate to advocate for policies that enhance the quality of life for our residents.

The counties rely on fuel taxes to maintain roads and bridges, but as more residents transition to EVs and hybrid vehicles, fuel tax revenues are declining. This measure allows counties to implement a fair, sustainable funding alternative while maintaining consistency with the state RUC system.

1. Ensures Equity in Road Maintenance Contributions

- The bill provides a fair and stable revenue stream, ensuring that all drivers, regardless of fuel type, can contribute to road maintenance.

2. Promotes State and County Coordination

- By aligning the county RUC with the existing state program, this bill streamlines administration and reduces complexity for residents and government agencies.

3. Clarifies Revenue Allocation

- Funds collected from the county RUC will be used for local road maintenance and improvements, supporting statewide infrastructure goals.

We appreciate the Legislature's recognition of the urgent need for sustainable road funding and the importance of a coordinated approach between the state and counties. We urge your support for HB 1161 HD2 and welcome further collaboration on implementation details.

OFFICE OF THE MAYOR

DEREK S.K. KAWAKAMI, MAYOR

REIKO MATSUYAMA, MANAGING DIRECTOR



Testimony of Reiko Matsuyama Managing Director, County of Kaua'i

Before the
Senate Committee on Transportation and Culture and the Arts
Senate Committee on Energy and Intergovernmental Affairs

March 13, 2025; 12:00 PM
Conference Room 308 & Videoconference

In consideration of
House Bill 1161 HD2, Relating to Transportation

Honorable Chair Lee, Honorable Chair Wakai, and Members of the Committees:

The County of Kaua'i (COK) is in **support** of HB 1161 HD2 which beginning 7/1/2028, authorizes a county to impose a mileage-based road usage charge on electric vehicles and plug-in hybrid 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; beginning 7/1/2026, extends the state mileage-based road usage charge to plug-in hybrid electric vehicles; 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; and appropriates funds.

While the Hawai'i Department of Transportation (HDOT) and the COK recognize the importance of including plug-in hybrid electric vehicles (PHEVs) in a RUC program, the HDOT and COK propose that the analysis of when and how to add other classes of vehicles into the RUC program is better suited for the Long-Term Transition Plan, which is due to the Legislature in December 2025. Forthcoming input from the long-term transition plan and its attendant Long-Term Transition Advisory Group will inform policy changes and clarifications needed to address the complexities of identifying PHEVs in the motor vehicle registration system starting with the 2026 legislative session. For these reasons, the HDOT recommends the committee remove the language in the bill that would include PHEVs in the RUC program beginning in 2026.

In addition, the HDOT and the COK also propose the following amendments to the appropriation amounts to be considered for the undertaking of the state RUC and county RUC programs.

Strike Section 7, Page 16, Lines 3 – 11. This amendment is replaced and encompassed in the Section 8 amendment below.

Amend Section 8, Page 16, Line 12 – Page 17, Line 5 to read as follows:

“ SECTION 8. There is appropriated out of the state highway fund, the sum of \$5,332,800 or so much thereof as may be necessary for fiscal year 2025-2026 to be used with available federal funds and the sum of \$3,175,600 or so much thereof as may be necessary for fiscal year 2026-2027 to be used with available federal funds, for the continued implementation of the state mileage-based road user charge established pursuant to Section 249-36, Hawaii Revised Statutes; provided that the moneys appropriated for fiscal year 2025-2026 and fiscal year 2026-2027 for the purposes of this Act shall not lapse at the end of their respective fiscal year; provided further that all moneys appropriated for fiscal year 2025-2026 and fiscal year 2026-2027 that are unexpended or unencumbered as of June 30, 2028, shall lapse into the state highway fund.

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

Mahalo for the opportunity to provide testimony in support and with comments of HB1161 HD2 Relating to Transportation.

COUNTY COUNCIL

Mel Rapozo, Chair
KipuKai Kualii, Vice Chair
Addison Bulosan
Bernard P. Carvalho, Jr.
Felicia Cowden
Fern Holland
Arryl Kaneshiro



OFFICE OF THE COUNTY CLERK

Jade K. Fountain-Tanigawa, County Clerk
Lyndon M. Yoshioka, Deputy County Clerk

Telephone: (808) 241-4188
Facsimile: (808) 241-6349
Email: cokcouncil@kauai.gov

Council Services Division
4396 Rice Street, Suite 209
Lihu'e, Kaua'i, Hawaii 96766

March 11, 2025

TESTIMONY OF ADDISON BULOSAN
COUNCILMEMBER, KAUAI COUNTY COUNCIL
ON
HB 1161, HD 2, RELATING TO TRANSPORTATION
Senate Committee on Transportation and Culture and the Arts
Senate Committee on Energy and Intergovernmental Affairs
Thursday, March 13, 2025
3:00 p.m.
Conference Room 224
Via Videoconference

Dear Chair Lee, Chair Wakai, and Members of the Committees:

Thank you for this opportunity to provide testimony in SUPPORT of HB 1161, HD 2, Relating to Transportation. My testimony is submitted in my individual capacity as a member of the Kaua'i County Council.

I wholeheartedly support the intent of HB 1161, HD 2, which would greatly affect the Kaua'i community.

Thank you again for this opportunity to provide testimony in support of HB 1161, HD 2. Should you have any questions, please feel free to contact me or Council Services Staff at (808) 241-4188 or via email to cokcouncil@kauai.gov.

Sincerely,

ADDISON BULOSAN
Councilmember, Kaua'i County Council

AAO:dmc

Council Chair
Alice L. Lee

Vice-Chair
Yuki Lei K. Sugimura

Presiding Officer Pro Tempore
Tasha Kama

Councilmembers
Tom Cook
Gabe Johnson
Tamara Paltin
Keani N.W. Rawlins-Fernandez
Shane M. Sinenci
Nohelani U'u-Hodgins



Director of Council Services
David M. Raatz, Jr., Esq.

Deputy Director of Council Services
Richelle K. Kawasaki, Esq.

COUNTY COUNCIL
COUNTY OF MAUI
200 S. HIGH STREET
WAILUKU, MAUI, HAWAII 96793
www.MauiCounty.us

March 12, 2025

TO: The Honorable Chris Lee, Chair
Senate Committee on Transportation and Culture and the Arts
The Honorable Glenn Wakai, Chair
Senate Committee on Energy and Intergovernmental Affairs

FROM: Alice L. Lee
Council Chair

A handwritten signature in cursive script, appearing to read "Alice L. Lee", is written over the printed name and title.

SUBJECT: **HEARING OF MARCH 13, 2025; TESTIMONY IN SUPPORT OF HB1161, HD2, RELATING TO TRANSPORTATION**

I **support** this measure to authorize counties to impose a mileage-based road-usage charge for electric vehicles and plug-in hybrid electric vehicles beginning July 1, 2028.

The Maui County Council has not had the opportunity to take a formal position on this measure. Therefore, I am providing this testimony in my capacity as an individual member of the Maui County Council.

I **support** this measure for the following reasons:

1. A stable and sustainable funding source is necessary to maintain and improve roads and bridges as fuel-tax revenues decline because of increasing electric-vehicle adoption.
2. By creating a clear and efficient framework for implementation, this bill ensures charges are assessed annually after an electric vehicle's most recent inspection and allows counties to set per-mile rates tailored to local needs.
3. This measure sets fair and responsible road-usage contributions and ensures all drivers equitably support infrastructure maintenance.

Thank you for your consideration.

DEPARTMENT OF CUSTOMER SERVICES
KA 'OIHANA LAWELawe KUPA
CITY AND COUNTY OF HONOLULU

ADMINISTRATION

925 DILLINGHAM BOULEVARD, SUITE 257 • HONOLULU, HAWAII 96817
PHONE: (808) 768-3392 • FAX: (808) 768-3750 • WEBSITE: honolulu.gov

RICK BLANGIARDI
MAYOR
MEIA



KIMBERLY HASHIRO
DIRECTOR
PO'O

MEGAN JOHNSON
DEPUTY DIRECTOR
HOPE PO'O

March 12, 2025

The Honorable Chris Lee, Chair
The Honorable Lorraine R. Inouye, Vice Chair
and Members of the Senate Committee on Transportation
and Culture and the Arts
The Honorable Glenn Wakai, Chair
The Honorable Stanley Chang, Vice Chair
and Members of the Senate Committee on Energy
and Intergovernmental Affairs
State Capitol, Conference Room 224
415 South Beretania Street
Honolulu, Hawaii 96813

Dear Chairs Lee and Wakai, Vice Chairs Inouye and Chang, and Members of the Senate Committee on Transportation and Culture and the Arts and Senate Committee on Energy and Intergovernmental Affairs,

SUBJECT: H.B. No. 1161, H.D. 2 - Relating To Transportation
HEARING: Thursday, March 13, 2025, 3:00 p.m.

The City and County of Honolulu, Department of Customer Services (CSD), **supports** H.B. No. 1161, H.D. 2, which authorizes counties to establish a county mileage-based road usage surcharge (RUC) for electric vehicles (EVs) beginning July 1, 2028; establishes a process for the counties to adopt a per-mile rate by ordinance; clarifies the use of moneys collected under the state and county road usage charges; and clarifies certain procedures when calculating the state and county road usage charge is not possible due to incomplete information. Pursuant to Section 6-402 of the Revised Charter of the City and County of Honolulu, CSD Division of Motor Vehicle Registration administers the motor vehicle registration program for the island of O'ahu. CSD appreciates the opportunity to offer the following testimony in support of H.B. No. 1161, H.D. 2 for your committee's consideration.

Based on the findings and recommendations from the Hawaii Department of Transportation's multi-year RUC research project, the Hawaii State Legislature established a small-scale RUC program for EVs in 2023 as a means of addressing declining fuel tax revenues based on increasing high fuel economy vehicles, hybrids and EVs.

Beginning July 1, 2025, drivers of EVs will be given a choice of paying a flat RUC of \$50 or a per-mile RUC, calculated based on the number of miles driven between vehicle safety inspections. This choice will be permitted until June 30, 2028, at which time all EVs will pay a per-mile state RUC.

In addition to the state fuel tax, counties also rely on their own fuel tax to fund the maintenance and repair of county roads and bridges. Similar to the state fuel tax, county fuel taxes are also declining, resulting in counties having less revenue to maintain county roads and bridges. Enabling the counties to enact a mileage-based county RUC as a long-term county fuel tax replacement will allow counties to secure sustainable transportation funding and ensure county roads and bridges are adequately maintained. A county RUC will provide a fair, long-term and sustainable funding approach as fuel tax revenues decline based on increasing high fuel economy vehicles, hybrids and EVs. While CSD recognizes the importance of including plug-in hybrid electric vehicles (PHEVs) in a RUC program, CSD proposes that the analysis of when and how to add other classes of vehicles into the RUC program is better suited for the Long-Term Transition Plan, which is due to the Legislature in December 2025. Forthcoming input from the Long-Term Transition Plan, and its attendant Long-Term Transition Advisory Group will inform policy changes and clarifications needed to address the complexities of identifying PHEVs in the motor vehicle registration system starting with the 2026 legislative session. For these reasons, CSD recommends the committee remove the language in H.B. No. 1161, H.D. 2 that would include PHEVs in the RUC program beginning July 1, 2026.

H.B. No. 1161, H.D. 2 authorizes counties to enact a county RUC for EVs beginning July 1, 2028, consistent with the state RUC program. Enacting a county RUC program would ensure all vehicles contribute to the upkeep and maintenance of county roads and bridges. Further, enacting a county RUC program that is consistent with the state and other counties' RUC programs would offer the opportunity to reduce administrative costs to the state and county agencies tasked with implementing a RUC. It would offer the opportunity to make implementation and collection of the RUC more efficient and provide for a more uniform process for drivers than if the state and the counties were to enact RUC programs that differ.

For the reasons above, CSD supports this measure.

Thank you for this opportunity to provide testimony in support of H.B. No. 1161, H.D. 2.

Sincerely,



Kimberly M. Hashiro
Director



Testimony of the Oahu Metropolitan Planning Organization

COMMITTEE ON TRANSPORTATION AND CULTURE AND THE ARTS COMMITTEE ON ENERGY AND INTERGOVERNMENTAL AFFAIRS

Thursday, March 13, 2025 at 3:00PM
CR 224 & Videoconference

HB1161 HD2 RELATING TO TRANSPORTATION.

Dear Chairs Lee and Wakai, Vice Chairs Inouye and Chang, and Committee Members,

The Oahu Metropolitan Planning Organization (OahuMPO) **supports with a recommendation HB1161 HD2** regarding the implementation of a mileage-based road use charge.

This bill is consistent with several goals of the Oahu Regional Transportation Plan including investing in maintenance to preserve transportation facilities, promoting an equitable and affordable transportation system, and achieving State and County commitments to the environment in the operations of the transportation system.

The fuel tax is currently the primary source of transportation funding used to build and maintain the roadways. However, it has not kept up with inflation and improved vehicle fuel economy, so the gap between needs and revenue continues to grow. A per-mile road usage charge offers a stable source of funding that is aligned with the State's clean energy goals as it is not based on fuel consumption or impacted by alternative fuels.

The OahuMPO would like to offer the following recommendation to further improve the bill, and make it more equitable to all users of the transportation system:

- Section 4(7) currently reads: "*For the acquisition, design, construction, improvement, repair, and maintenance of bikeways.*" We recommend adding the words "*and walkways*" at the end of the sentence. This would allow the State and county to explicitly use this funding source to build accessible pedestrian infrastructure that supports walking and rolling (e.g., wheelchairs, etc.).

The OahuMPO is the federally designated Metropolitan Planning Organization (MPO) on the island of Oahu responsible for carrying out a multimodal transportation planning process, including the development of a long-range (25-year horizon) metropolitan transportation plan, referred to as the Oahu Regional Transportation Plan (ORTP), which encourages and promotes a safe, efficient, and resilient transportation system that serves the mobility needs of all people and freight (including walkways, bicycles, and transit),

fosters economic growth and development, while minimizing fuel consumption and air pollution ([23 CFR 450.300](#)).

Mahalo for the opportunity to provide testimony on this measure.



SanHi

GOVERNMENT STRATEGIES

A LIMITED LIABILITY LAW PARTNERSHIP

DATE: March 12, 2025

TO: Senator Chris Lee
Chair, Committee on Transportation and Culture and The Arts

Senator Glenn Wakai
Chair, Committee on Energy and Intergovernmental Affairs

FROM: Tiffany Yajima

RE: **H.B. 1161, H.D.2 - Relating to Transportation**

Hearing Date: Thursday, March 13, 2025 at 3:00 p.m.
Conference Room: 224

Dear Chair Lee, Chair Wakai, and Members of the Joint Committees:

On behalf of the Alliance for Automotive Innovation (“Auto Innovators”) we submit this testimony with **comments** on H.B. 1161, H.D.2, Relating to Transportation, and respectfully request amendments adding language ensuring that the county RUC is comparable to the county fuel tax and removing plug-in hybrid electric vehicles.

Auto Innovators represents the full auto industry, a sector supporting 10 million American jobs and five percent of the economy. From the manufacturers producing most vehicles sold in the U.S. to autonomous vehicle innovators to equipment suppliers, battery producers and semiconductor makers – the association is committed to a cleaner, safer and smarter personal transportation future.

To ensure that all vehicles - gasoline and electric - contribute a similar amount of tax via the gas tax on gasoline cars and the RUC on EVs, Auto Innovators request the following language be added at page 6, line 9 as follows:

§249-B County mileage-based road usage charge; rate; 4 establishment. (a) Each county shall establish the rate to be 5 used to calculate the amount of that county’s mileage-based road 6 usage charge in the manner provided for by ordinances involving 7 the expenditure of public funds; provided that until such rate 8 is established, the county mileage-based road usage charge for 9 that county shall be zero. The amount of the county mileage-based road usage charge shall be comparable to the county fuel tax and no more than the estimated county fuel tax.

This amendment ensures that the county RUC for electric vehicles will be comparable to but no higher than the county gas tax equivalent for gasoline vehicles.

This amendment would ensure that all vehicles are similarly assessed regardless of the vehicle's technology and method of propulsion.

Auto Innovators also requests that plug-in hybrid electric vehicles (PHEVs) be removed. PHEVs have traditional fuel tanks that power an internal combustion engine, and also use batteries to power an electric motor. PHEVs can be charged using a wall outlet or charging equipment and also by the internal combustion engine. Under this scenario, drivers of PHEVs would not only pay for their vehicle miles traveled but would also pay the gas tax on fuel used. For this reason, Auto Innovators supports removing PHEVs from the RUC program until 2033 when all vehicles transition to the RUC.

With these amendments Auto Innovators is in support of the measure.

Mahalo for the opportunity to submit this testimony.



Robert Muhs, Esq.

Vice President, Government Affairs
& Counsel

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Senator Chris Lee, Chair
Senator Lorraine Inouye, Vice Chair
Committee on Transportation and Culture and the Arts

Senator Glenn Wakai, Chair
Senator Stanley Chang, Vice Chair
Committee on Energy and Intergovernmental Affairs

Thursday, March 13, 2025; 3:00 p.m.
Conference room 224 & Videoconference

RE: HB 1161 HD2 - Relating to Transportation – Comments, Request Amendments

Aloha Chairs Lee and Wakai, Vice Chairs Inouye and Chang and members of the committees:

My name is Robert Muhs, Vice President, Government Affairs & Counsel for Avis Budget Car Rental, LLC. ("ABCR"). On behalf of ABCR, I would like to provide comments on HB 1161 HD2 which, among other things, authorizes a county to impose a mileage-based road usage charge on electric vehicles and plug-in hybrid electric vehicles. The bill also specifies that rental motor vehicle companies may visibly pass the costs of the mileage-based road usage charges to the consumer.

We would like to request the following amendments:

- Specify that rental car companies shall pay a flat fee instead of a mileage-based road usage charge. A flat fee rather than a miles-traveled formula is an optimal solution for rental car companies as we can't calculate such amount until the annual submission is made on odometer reading and recovery as contemplated in 437-D on a transaction basis becomes impossible to achieve. First, there would be difficulty processing such charges through a credit card several months after the calculation is made. It will raise significant customer service issues;

- Remove plug-in hybrid electric vehicles from the road usage program. These vehicles have traditional fuel tanks and also use batteries to power an electric motor. It is unfair to pay for the vehicle miles traveled and also pay the gas tax on fuel used; and
- Delay implementation for the rental car industry until July 1, 2028.

We ask for your consideration in passing HB 1161 HD2 with our requested amendments. Thank you.



SanHi

GOVERNMENT STRATEGIES

A LIMITED LIABILITY LAW PARTNERSHIP

DATE: March 12, 2025

TO: Senator Chris Lee
Chair, Committee on Transportation and Culture and The Arts

Senator Glenn Wakai
Chair, Committee on Energy and Intergovernmental Affairs

FROM: Tiffany Yajima

RE: **H.B. 1161, H.D.2 - Relating to Transportation**

Hearing Date: Thursday, March 13, 2025 at 3:00 p.m.
Conference Room: 224

Dear Chair Lee, Chair Wakai, and Members of the Joint Committees:

We submit this testimony on behalf of Enterprise Mobility, which includes Enterprise Rent-A-Car, Alamo Rent-A-Car, National Car Rental, and Enterprise Commute (Van Pool).

Enterprise Mobility submits these **comments** on H.B. 1161, H.D.2, which authorizes the counties to impose a mileage-based road usage charge.

With the growing uptake in electrical vehicle usage, state and county fuel tax revenue is declining. This measure is intended to establish a mileage-based road usage charge at the county level to ensure that the counties continue to receive a sustainable source of transportation funding. This measure also provides updates to the state RUC program.

Enterprise supports the intent of the measure and would request additional amendments to assist the rental car industry in the transition to the state and county RUC program. Enterprise is in continued discussions with the Department of Transportation on this language and would ask for additional time from the committee and Department to work on language as this bill continues to move.

For example, Enterprise supports language that would establish a flat fee on rental car for the state and county RUC program. Enterprise also supports language that would allow the rental motor vehicle industry to visibly pass on to renters the state and county mileage-based road usage charges that are incurred while renting a vehicle. As it stands today, rental car customers pay for their own fuel for the duration of the vehicle rental and can choose to fill the tank on their own or pre-pay on return of the vehicle rental. The gas tax for that fuel is paid for

at the pump by the customer. The road usage charge program requires assessing a fee for each mile driven, rather than taxing fuels at the time of purchase. Since rental car drivers are not owners of the vehicle, the rental car company would receive a RUC statement and be responsible as the owner of a vehicle. A flat fee for the rental motor vehicle industry would streamline implementation of the RUC and assist with the transition to this state and county program.

Enterprise also notes that the H.D. 2 version of this measure includes plug-in hybrid electric vehicles and support an amendment to remove these vehicles from the RUC program since plug-in hybrid electric vehicles also use gasoline and are already subject to the state and county gas tax for fuel used.

Thank you for the opportunity to submit this testimony.



March 13, 2025

Senator Chris Lee
Chair, Senate Committee on Transportation and Culture and the Arts

Senator Glenn Wakai
Chair, Committee on Energy and Intergovernmental Affairs

Hawai'i State Legislature
Hearing: Thursday, March 13, 2025, 3:00 PM, Conference Room 224 & Videoconference

HB1161 HD2 RELATING TO TRANSPORTATION

Chair Lee, Chair Wakai and members of the Joint Committee:

The Hertz Corporation operates the Hertz, Dollar, and Thrifty vehicle rental brands throughout Hawai'i. For more than a century, Hertz has been an innovative leader in the car rental industry. Today, in addition to our airport and off-airport locations serving customers throughout the state, we have a unique and robust program to create economic opportunity for Hawai'i citizens through partnerships with Uber and Lyft where drivers can rent vehicles on a week-to-week basis. Hertz also sells safe and well-maintained used vehicles to consumers at Hertz Car Sales locations throughout Hawai'i and the United States.

Hertz would like to comment on various aspects of HB1161, HD2, as follows:

Calculation of Road Usage Charges for EV Rental Cars are Impracticable

With thousands of rentals and rental customers annually in Hawai'i, it would be impractical for rental car operators to calculate the mileage annually and retro-actively bill the customer for miles driven during their rental. Instead, we respectfully request that you consider an alternative approach, which would impose a **one-time annual fee** on rental electric vehicles. In doing so, it would streamline the levying and collection of those fees by rental car operators and ensure that the state is collecting the revenue it seeks through such a measure.

Hertz respectfully offers the following amendment for consideration:

Amend SECTION 2 to add Subsection (h):

(h) The mileage-based road usage charge on a rental motor vehicle as defined under 437D shall be \$_____.

The annual fee should be based on a justifiable and reasonable amount that is commensurate with the average annual EV miles traveled.

Road Usage Charges as a Pass-through Provision

Haw. Rev. Stat. Sec. 437D-8.4 permits rental car companies (lessors) to visibly pass on to a lessee of a rental vehicle certain license and registration fees, including general excise taxes, vehicle license

recovery fees, surcharge taxes and other fees. The proposed Road Usage Charge for electric rental cars should be similarly permitted.

Plug-in Hybrids Electric Vehicles are Taxed Twice

HB1161, HD2 requires that plug-in hybrid EVs (PHEVs) be subject to a road usage charge beginning July 1, 2026. PHEVs operate on both gasoline and electric power, and therefore when individuals fuel their PHEV with gasoline, they are paying gasoline tax on that fuel. PHEV owners would therefore be assessed a road usage charge and gasoline taxes at the pump, creating duplicative and overlapping fees for PHEV owners, including rental car companies. We request that the road use charge on PHEVs be removed from the legislation.

Thank you for the opportunity to comment and provide suggested amendments to HB1161, HD2.

Sincerely,

/S/

Steve Shur

Vice President, Government Affairs

steve.shur@hertz.com



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SERVCO.COM

Senator Chris Lee, Chair
Senator Lorraine Inouye, Vice Chair
Committee on Transportation and Culture and the Arts

Senator Glenn Wakai, Chair
Senator Stanley Chang, Vice Chair
Committee on Energy and Intergovernmental Affairs

Thursday, March 13, 2025, 3:00 p.m.
Conference room 224 & Videoconference

RE: HB 1161 HD2 - Relating to Transportation – Comments, Request Amendment

Aloha Chairs Lee and Wakai, Vice Chairs Inouye and Chang and members of the committees:

Servco appreciates this opportunity to offer comments on HB 1161 HD2 which, among other things, authorizes a county to impose a mileage-based road usage charge on electric vehicles and plug-in hybrid electric vehicles.

The HD2 was amended to include plug-in hybrid electric vehicles. These vehicles have traditional fuel tanks and also use batteries to power an electric motor. We request an amendment to delete plug-in hybrid electric vehicles from the road usage charge program as it is unfair for drivers of these vehicles to pay for their vehicle miles traveled and also pay the gas tax on fuel used.

Thank you for the opportunity to provide comments. We ask for your consideration in passing the bill with our requested amendment.

Peter Dames
President & CEO



Email: communications@ulupono.com

SENATE COMMITTEES ON TRANSPORTATION AND CULTURE AND THE ARTS
& ENERGY AND INTERGOVERNMENTAL AFFAIRS
Thursday, March 13, 2025 — 3:00 p.m.

Ulupono Initiative supports HB 1161 HD 2, Relating to Transportation.

Dear Chair Lee, Chair Wakai, and Members of the Committees:

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, clean transportation choices, and better management of freshwater resources.

Ulupono supports HB 1161 HD 2, which, beginning 7/1/2028, authorizes a county to impose a mileage-based road usage charge (RUC) on electric vehicles and plug-in hybrid electric vehicles; provides and requires a county to establish the rate of the charge; clarifies the disposition of funds for state mileage-based RUC; repeals the requirements of the Department of Transportation to establish county subaccounts within the State Highway Fund; and clarifies the disposition of funds for state mileage-based RUC. In addition, beginning 7/1/2026, it extends the state mileage-based RUC to plug-in hybrid electric vehicles. The bill also clarifies the rate and calculation of the state mileage-based RUC and specifies that rental motor vehicle companies may visibly pass the costs of the mileage-based RUC to the consumer.

As the State transitions towards implementation of an RUC, we believe that the counties should have the same opportunity. It will help provide harmonization across transportation taxes and support the overall transition to an RUC.

We also recommend making it clear that the funds collected are eligible to help the State achieve its full multimodal mission, ensure consistency between State and county uses, and provide the greatest flexibility in decision making and allocation of funds. As such, we offer the following amendments:

- Adding “For purposes and functions connected with traffic control and preservation of safety upon the public highways and streets[,]” to the State’s eligible uses outlined in section **§248-9(a)**
 - Note: This aligns with the County’s eligible uses listed in section §249-18.

Investing in a Sustainable Hawai'i

- Inserting “pedestrian walkways and bikeways” into section **§248-9(a)(1)** “To pay the costs of operation, maintenance, and repair of the state highway system, pedestrian walkways and bikeways, including without limitation, the cost of equipment and general administrative overhead;”
- Inserting “pedestrian walkways” into section **§248-9(a)(2)** “To pay the costs of acquisition, including real property and interests therein; planning; designing; construction; and reconstruction of the state highway system, pedestrian walkways and bikeways, including without limitation, the cost of equipment and general administrative overhead;”
- Inserting “pedestrian walkways” into section **§249-18(7)** “For the acquisition, design, construction, improvement, repair, and maintenance of pedestrian walkways and bikeways[,]”

We believe these adjustments allow the State and counties to better pursue a full suite of solutions such as system operations, new technologies, and other innovative approaches to transportation problems.

Thank you for the opportunity to testify.

Respectfully,

Micah Munekata
Director of Government Affairs



Taxation Is THEFT!

It is a violation of both personal liberty and property rights.

Theft is defined as the unlawful taking of someone else's property with the intent to permanently deprive them of it. With forced taxation, individuals are compelled to surrender a portion of their hard-earned income to the government under the threat of penalties, including fines and imprisonment. This coercion strips individuals of their autonomy and the fruits of their labor.

Taxation schemes purposely overlook the reality of government inefficiency and misuse of funds. Most taxpayer dollars are diverted to wasteful and inefficient programs, bureaucratic overhead, and involuntary initiatives that do not serve the public interest. This raises fundamental questions about the moral justification of taking money from the people.

Taxpayers in Hawaii face significant financial burdens due to high state income tax rates and elevated property taxes associated with the high value of real estate. Hawaii has the highest cost of living in the nation and lawmakers are aiming to make this cost even higher. It is time to alleviate these pressures.

The progression of Hawaii's tax rates over time has led to individuals feeling as though they are only working so that they can keep up with taxes. This sense of bondage undermines the very principles of liberty and self-determination upon which our nation was founded. When citizens feel that their ability to prosper is stifled by an ever-increasing tax burden, it risks fostering a culture of dependency rather than one of innovation and entrepreneurship.

The method of taxation must be scrutinized. There is a need to seek voluntary and equitable means of funding these services, rather than perpetuating a system that many view as a form of legalized theft. It is crucial to rethink our remove the restrictive burdens of unnecessary taxes and begin to respect individual rights and promote true prosperity for all.

We urge you to **oppose** this bill and others like it,
The Libertarian Party of Hawaii

TAX FOUNDATION OF HAWAII

735 Bishop Street, Suite 417

Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: MOTOR VEHICLE; State Mileage-Based Road Usage Charge; County Mileage-Based Road Usage Charge

BILL NUMBER: HB 1161 HD 2

INTRODUCED BY: House Committee on Consumer Protection and Commerce

LATE

EXECUTIVE SUMMARY: Authorizes a county to impose a mileage-based road usage charge on electric vehicles and plug-in hybrid 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. Beginning 7/1/2026, extends the state mileage-based road usage charge to plug-in hybrid electric vehicles. 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.

SYNOPSIS: Adds three new sections to chapter 249, HRS to provide the counties authority to impose a county mileage-based road usage charge (“county usage charge”) on electric vehicles and plug in hybrid electric vehicles beginning July 1, 2028. For the first registration renewal for which no certificate of inspection is required, the county usage charge of \$50 will be assessed, which shall be subtracted from the calculation of the county usage charge upon the vehicle’s second registration renewal

The mileage charged will be determined by odometer readings that are taken during the annual safety check process. The charges will be deposited into the respective county highway fund and will be spent in the counties from which the fees originated. The amount of the county road usage charge will be determined by each county through adoption of an appropriate ordinance following a public hearing.

For purposes of the county usage charge, “electric vehicle” and “plug-in hybrid electric vehicle” have the same meaning as in section 249-36, HRS, for the state mileage-based road usage charge.

Repeals section 248-9(c), HRS, which allowed county subaccounts within the state highway fund to have been used for state highway road capacity projects in the respective county..

Amends section 249-36(a), HRS, to subject plug-in hybrid electric vehicles to the state mileage-based road usage charge beginning July 1, 2026.

Amends section 249-36(a), HRS to limit the state mileage-based road usage charge to no more than \$50 until June 30, 2028.

Amends section 249-36(d), HRS, to include plug-in hybrid electric vehicles the choice to pay a \$50 registration surcharge in lieu of the state mileage-based road usage charge until June 30, 2028.

Amends section 249-36(g), HRS, to define “plug-in hybrid electric vehicle” as a vehicle that can use batteries to power an electric motor and use another fuel, such as gasoline or diesel, to power an internal combustion engine or other propulsion source, and that may use electricity from the grid to run the vehicle some or all of the time.

EFFECTIVE DATE: July 1, 3000.

STAFF COMMENTS: This is an Administration bill sponsored by the Department of Transportation and designated TRN-09 (25). It extends the authority to the counties to establish a mileage-based road usage charge, similar to the state mileage-based road usage charge. It applies to electric vehicles and plug-in hybrid electric vehicles.

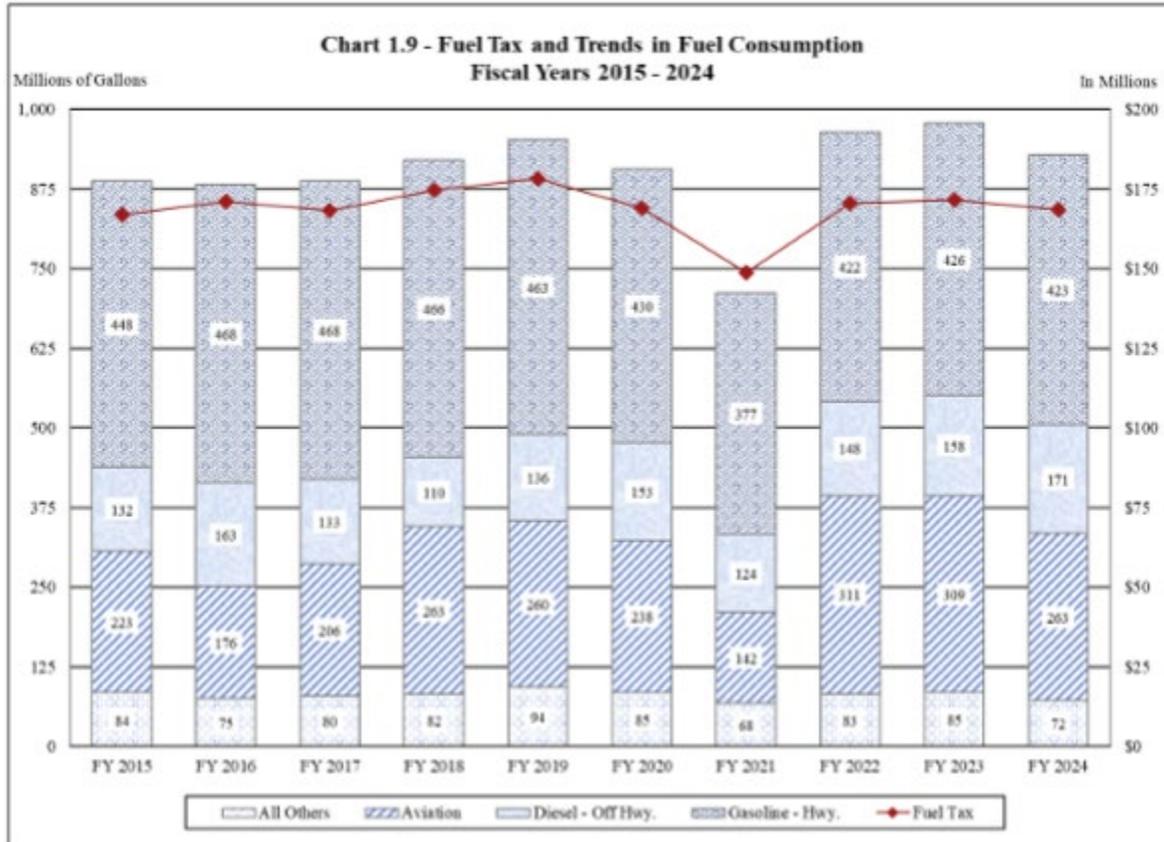
Act 222, SLH 2023, authorizes a program called HiRUC that has been in the works for a few years now. That act applies a state mileage-based road usage charge to electric vehicles, supposedly in lieu of the fuel tax that such vehicles are not paying.

Because the counties also impose fuel taxes and they also face the problem of having to maintain the highways and byways with more vehicles that are on the roads but that are not burning fossil fuel, this bill is a logical add-on to HiRUC.

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), although the Department of Transportation continued the carpool lane benefit administratively.

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, the theory is that fewer people will buy fuel, leading to the fuel tax slowly drying up. As it turns out, however, fuel consumption does not seem to have plateaued yet, although it did take a pandemic bounce in FY 2021:



Source: Department of Taxation Annual Report 2023-24, at 20.

Are electric vehicles, plug-in hybrids, 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: 3/10/2025

HB-1161-HD-2

Submitted on: 3/10/2025 1:21:59 PM

Testimony for TCA on 3/13/2025 3:00:00 PM

Submitted By	Organization	Testifier Position	Testify
Ellen Awai	Individual	Support	Written Testimony Only

Comments:

I support HB1161.HD2. to tax electric vehicles by county.

HB-1161-HD-2

Submitted on: 3/10/2025 11:50:11 AM

Testimony for TCA on 3/13/2025 3:00:00 PM

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

Comments:

It was necessary for me to buy an electric vehicle due to health issues. The cost was astronomical seeing as it had to be done during the pandemic. Because I'm disabled with MCS further taxes or more money for operating my vehicle is discriminatory and illegal. I'm respectfully asking everyone to oppose this bill. Mahalo.

LATE

HB-1161-HD-2

Submitted on: 3/12/2025 7:53:21 PM

Testimony for TCA on 3/13/2025 3:00:00 PM

Submitted By	Organization	Testifier Position	Testify
Nicholas Zehr	Individual	Oppose	Written Testimony Only

Comments:

Honorable Chair, Vice Chair, and Members of the Committee,

I strongly oppose HB1161, which seeks to impose a per-mile road usage charge at both the state and county levels. While maintaining infrastructure is essential, this bill introduces an intrusive and inefficient taxation model that expands government surveillance, unfairly burdens residents, and fails to address the root issue—wasteful government spending.

HB1161 sets a dangerous precedent for increased government tracking of personal travel. While the bill currently relies on odometer readings from mandatory vehicle inspections, this is merely the **first step toward more invasive tracking methods**, such as GPS-based monitoring. Other states that have introduced per-mile taxes have already considered GPS tracking for enforcement, and Hawai'i's policymakers should not open the door to such surveillance.

Instead of taxing mileage, the government should focus on **reducing traffic congestion through market-based solutions** such as congestion pricing, privatized toll roads, or incentivizing alternative transportation without resorting to tracking individuals' movements.

HB1161 shifts the cost of road maintenance from a transparent, voluntary fuel tax to an unpredictable, **mandatory** per-mile charge. This creates uncertainty for drivers, as tax rates will be set at both the state and county levels, allowing counties to impose **additional charges** on residents with little oversight. This fragmented approach could lead to **arbitrary tax increases** that disproportionately impact individuals who live in rural areas or must drive long distances for work.

A Real-World Comparison: How Much Will This Cost You?

- Under current law, fuel taxes are paid **as you consume fuel**, meaning **those who drive more pay more**—a fair and voluntary mechanism.
- HB1161 will impose a **flat per-mile tax** regardless of how fuel-efficient a vehicle is, punishing residents who already pay their share.
- For a **Hawai'i resident driving 12,000 miles per year**, at **0.8 cents per mile**, that's **\$96 annually**, a **direct tax increase for many drivers** beyond current fuel tax costs.

Rather than creating a new tax, the state should **audit and reform existing transportation spending** to ensure funds are being used efficiently before demanding more money from residents.

Hawai'i's **rural residents, farmers, and small business owners** will be disproportionately affected by this tax. Unlike urban commuters who have access to public transit, those in rural areas **must drive long distances for work, school, and essential services**.

Similarly, **small businesses that rely on delivery vehicles, service trucks, and farm equipment** will face yet another government-imposed cost. This bill will **increase the cost of goods and services**, hurting both business owners and consumers.

If the Legislature truly wants to support working-class families, it should **reduce the tax burden, not add new layers of taxation**.

One of the main justifications for HB1161 is the **decline in fuel tax revenue due to increasing EV adoption**. However, penalizing EV owners with additional taxes directly contradicts the state's **own environmental policies** aimed at encouraging cleaner transportation.

Rather than imposing a **one-size-fits-all** mileage tax, the Legislature should explore **voluntary, market-driven alternatives**, such as:

- **Road maintenance funds** for EV owners, with incentives like HOV lane access.
- **Public-private partnerships (PPPs)** to fund and maintain infrastructure **without new taxes**.
- **Phasing out fuel taxes proportionally as per-mile taxes are introduced** to prevent **double taxation**.

Instead of punishing innovation, Hawai'i should **embrace free-market solutions** that incentivize road maintenance funding **without expanding government control**.

The biggest flaw in HB1161 is its failure to address the **real problem**: mismanagement and inefficiency in Hawai'i's infrastructure spending.

- **Hawai'i ranks among the worst states for road conditions**, despite already high transportation taxes.
- Instead of reforming existing spending, this bill simply **creates another revenue stream without accountability**.
- **Administrative costs for enforcing this tax will eat into revenue**, meaning drivers will pay more but see little benefit.

Before imposing yet another tax, the Legislature should:

1. **Conduct a full audit of current road funding and expenditures** to eliminate waste.
2. **Increase private-sector involvement** in infrastructure projects to improve efficiency.
3. **Ensure transparency** by making all transportation spending data publicly available.

Rather than forcing all drivers into a mandatory tax system, lawmakers should explore **voluntary, market-based alternatives** that align with principles of personal freedom and economic efficiency.

Possible solutions include:

- **Privatizing major roads and allowing toll-based funding.**
- **Offering tax credits for businesses that invest in infrastructure projects.**
- **Using congestion pricing on high-traffic corridors instead of blanket taxation.**

By shifting from coercive taxation to **voluntary funding models**, Hawaii can maintain its infrastructure **without infringing on individual rights**.

HB1161 is an **overreach that expands government control**, increases financial burdens on Hawai'i's residents, and sets a dangerous precedent for future taxation and surveillance. Rather than defaulting to new taxes, the state should focus on **cutting waste, ensuring accountability, and exploring market-driven infrastructure solutions**.

I urge this committee to reject HB1161 and instead commission an independent audit of infrastructure spending to identify cost-saving opportunities before imposing new financial burdens on taxpayers.

Thank you for your time and consideration.

Nicholas Zehr