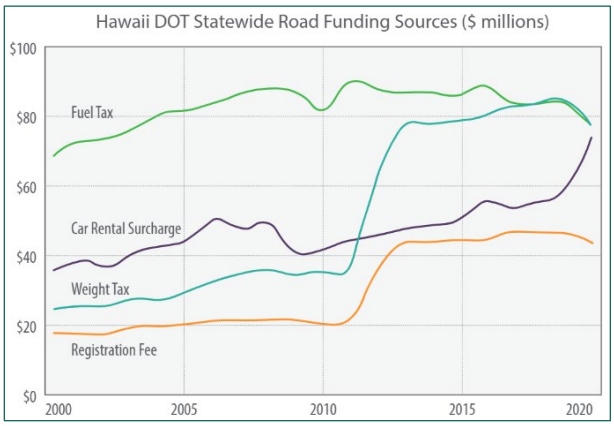
Hawai‘i Road Usage Charge
Hawai‘i Department of Transportation

Introduction
With advances in vehicle and engine technology, the fuel efficiency of Hawai‘i’s vehicle fleet is steadily increasing. The adoption of alternative fuel vehicles is also increasing as Hawai‘i ranks second nationally in the adoption rate of electric and alternative-fuel vehicles. Reducing fossil fuel consumption has numerous benefits for Hawai‘i residents, but one unintended consequence is the loss of revenue from the taxation of motor vehicle fuels.



The Hawai‘i Department of Transportation (HDOT) receives a large portion of state funds from user fees. Fuel taxes have historically served as the largest source of revenue, but as fuel consumption declines, fuel tax revenues decline accordingly. Raising the fuel tax rate to replace the costs of the declining revenue imposes an increased share of road costs on a shrinking share of residents driving internal combustion engine vehicles, residents who, research shows, disproportionately belong to low-income households and live in rural areas of the state.

Hawai‘i Road Usage Charge Phase-1 Demonstration Project
In 2018, the HDOT sought to identify transportation funding system solutions that were sustainable, both in terms of funding, but also one that maintained broad support from residents, elected officials, and stakeholders. The HDOT determined that a road usage charge (RUC) was the most viable solution in facing the sustainable transportation funding vision.

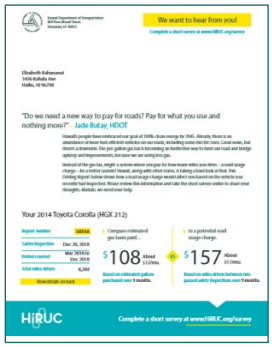
Stakeholder Advisory Group
The HDOT assembled an Advisory Group of stakeholders and legislatures as an external sounding board, providing critical direction and feedback on the outreach and research. Members of the Advisory Group offered their expertise in specialized areas to provide feedback on the research and confirm the completeness and accuracy of the tasks the HDOT undertook and of the results reported.

Public Meetings
The HDOT organized 13 public meetings around the state to the discuss the problem of declining transportation funding revenues and to gather community input on the concept of a RUC.
The questions and comments raised by Hawai‘i residents included:

- Concerns about the cost and administrative complexity of a RUC program
- Questions about how the money from the RUC program will be used
- Suggestions for how to deal with such issues as visitor traffic and heavy vehicles

Phase-1 Part 1: Driving Reports

The HDOT sought to create a pilot RUC system utilizing the Hawai'i motor vehicle registration system and the periodic motor vehicle inspection (PMVI) system. This HiRUC system required connecting data from the two existing systems and building new components for calculating a RUC, preparing invoices, and printing and mailing invoices to vehicle owners. The pilot test did not collect actual money from participants.



Leveraging the registration and inspection systems, the HiRUC system generated customized Driving Reports for nearly every vehicle in the state. The Driving Reports showed the total miles driven, the total hypothetical RUC owed, and the total estimated gas taxes paid between the odometer readings taken at the two most recent vehicle inspections. The Driving report also featured an explanation of what a RUC was and why the HDOT was exploring it.

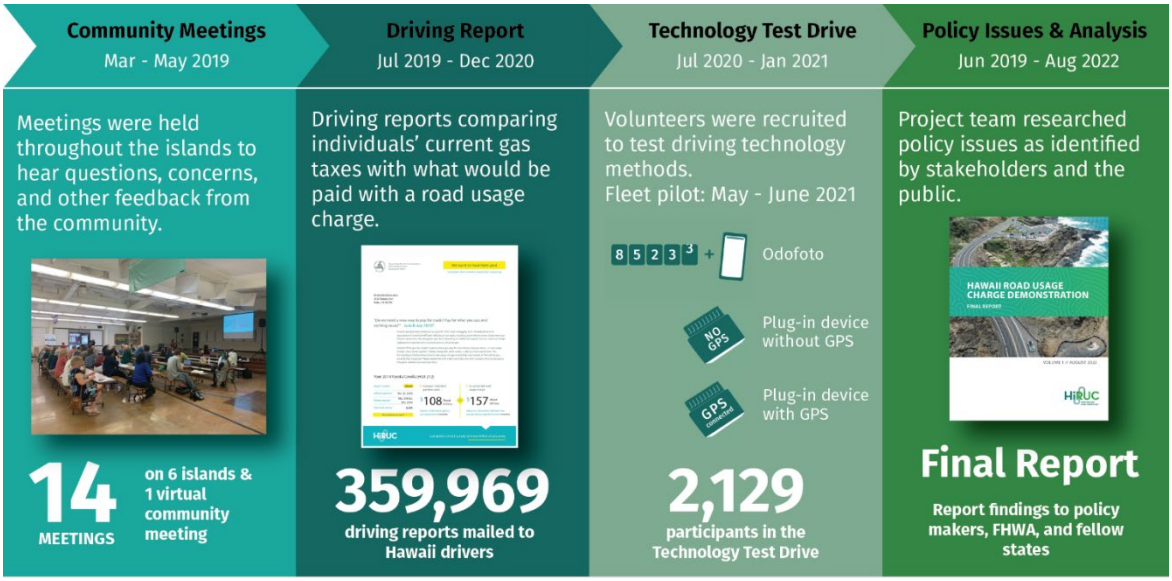
Phase-1 Part 2: Technology Test Drive

The Technology Test Drive covered the end-to-end experience of volunteer participants, from program enrollment, setting up their mileage reporting method, reporting miles driven, receiving Road Usage Reports, and closing out their accounts.

Technology Test Drive participants were provided three choices for their mileage reporting method:

- Plug-in device with GPS
- Pug-in device without GPS
- Smartphone app to capture odometer images (Odofoto)

Each month, participants received Road Usage Reports showing how much they would have owed in a RUC versus an estimate of how much they paid in fuel taxes, providing them with a first-hand experience of HiRUC.



From Pilot to Policy

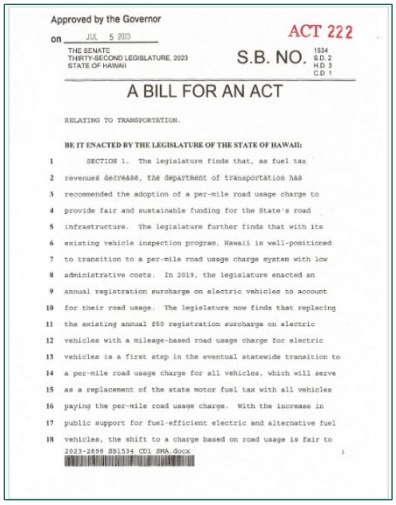
The success of the HiRUC Program's Phase-1 Demonstration Project laid the groundwork from pilot to policy. The research was rooted in a strong foundation of community engagement and outreach, which resulted in strong participation and feedback from Hawai'i residents and provided real-time actionable information and recommendations to legislators.

The HDOT also established and maintained strong relationships with key legislators by including them as members of the HiRUC Program's Advisory Group. In the transition to the Legislative Session, the HDOT held regular briefings with legislative and committee leadership, ensuring transparency in the process, letting legislators know that this was a priority for the HDOT.

Finally, the legislation was modest, provided a low barrier of entry, and started with a small-scale of Hawai'i's vehicle fleet. The legislation was intentional to ensure that a gradual implementation of the program allowed for issues to be resolved, efficiencies to be refined, and further features to be considered throughout the expansion of the program.

Session Laws of Hawai'i 2023 – Act 222

In 2023, the Hawai'i State Legislature passed, and the Governor signed Act 222, establishing a small-scale RUC program for electric vehicles. This is the first step in the eventual statewide transition to a per-mile RUC for all vehicles, which will serve as a replacement of the state motor fuel tax.



Approved by the Governor
on JUL 5 2023

ACT 222

THE SENATE
THIRTY-SECOND LEGISLATURE, 2023
STATE OF HAWAII

S.B. NO. 1524 S.D. 2 H.D. 3 C.D. 1

A BILL FOR AN ACT

RELATING TO TRANSPORTATION.

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

SECTION 1. The legislature finds that, as fuel tax revenues decrease, the department of transportation has recommended the adoption of a per-mile road usage charge to provide fair and sustainable funding for the State's road infrastructure. The legislature further finds that with its existing vehicle inspection program, Hawaii is well-positioned to transition to a per-mile road usage charge system with low administrative costs. In 2019, the legislature enacted an annual registration surcharge on electric vehicles to account for their road usage. The legislature now finds that replacing the existing annual $50 registration surcharge on electric vehicles with a mileage-based road usage charge for electric vehicles is a first step in the eventual statewide transition to a per-mile road usage charge for all vehicles, which will serve as a replacement of the state motor fuel tax with all vehicles paying the per-mile road usage charge. With the increase in public support for fuel-efficient electric and alternative fuel vehicles, the shift to a charge based on road usage is fair to

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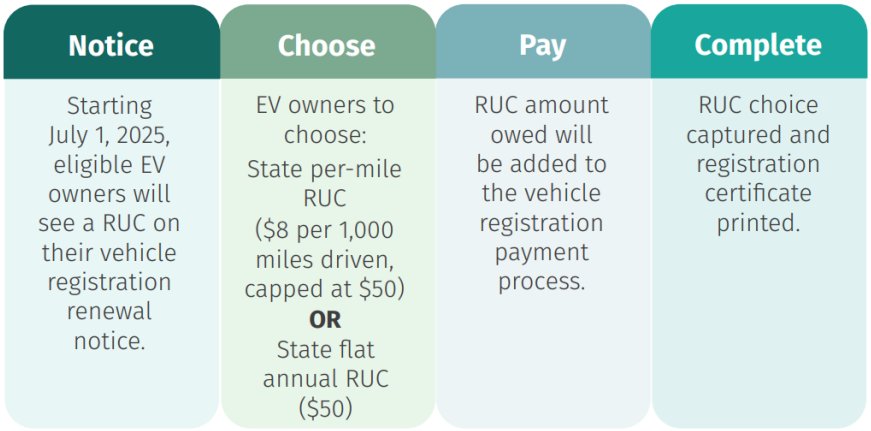
Act 222 also required the HDOT to develop a Long-Term Transition Plan to transition all light-duty vehicles to a RUC by 2033. The Long-Term Transition Plan is due to the state legislature prior to 2026 session. The plan will include findings, recommendations, implementation phase schedules, and proposed legislation for the deployment of a state mileage-based RUC program to encompass all passenger vehicles and light duty trucks by December 31, 2033.

July 2023	Now Through July 1, 2025	July 1, 2025	July 1, 2028	2033
Gov. Josh Green signs Act 222 into law, establishing a road usage charge starting with EVs beginning July 1, 2025.	Mandatory vehicle safety inspections with odometer reading, $50 EV surcharge still in effect.	Most EV drivers will choose between a state per-mile RUC ($8 per 1,000 miles driven, capped at $50) or a flat annual RUC of $50.	All EVs drivers will be required to pay the state per-mile RUC. The state flat annual RUC will no longer be available.	Target date to extend RUC to all light-duty passenger vehicles. The plan must be submitted to the legislature by December 2025.

Hawai‘i Road Usage Charge Phase-2 Implementation

Beginning July 1, 2025, eligible electric vehicle (EV) owners will have a choice to pay a state per-mile RUC ($8 per 1,000 driven, capped at $50) or a state flat annual RUC of $50. The HiRUC Program replaces the state's current $50 EV registration surcharge for all RUC-eligible EVs. For the HiRUC Program, the vehicle registration, renewal, and payment processes are as follows:

- Vehicles will have their odometers read and recorded as part of the annual vehicle inspection. The odometer reading will inform how many miles were driven, and the RUC amount owed.
- During their registration renewal process, EV owners will choose between the state per-mile RUC or the state flat annual RUC on their annual registration renewal notice.
- The RUC amount owed will be added to the vehicle registration payment and will be due at the time of vehicle registration renewal.
- The vehicle registration payment, including the RUC choice and RUC amount owed, can be processed and paid using any of the existing registration renewal methods.



HiRUC Program Recommendations

The HDOT believes there is a straight-forward pathway to implementing a minimally disruptive RUC program. By establishing a RUC system that leverages as many existing systems as practical, the HiRUC Program demonstrates the technical feasibility of integrating a RUC system processes efficiently.

The HDOT recommends initially introducing a RUC as an option for a subset of vehicles in lieu of a state's registration surcharge (such as electric vehicles). The HDOT replaced the state's EV registration surcharge with a per-mile RUC rate for EVs that is equivalent to what the average vehicle pays in state fuel taxes.

By establishing a small-scale RUC program, Hawai‘i is building a revenue system fit for a future with fewer gasoline vehicles and more fuel-efficient vehicles. As other alternative fuel vehicles proliferate, policymakers can reexamine the program to align with revenue needs, while balancing any impacts. This approach allows the program to mature and evolve over time, making for an overall smoother transition.

Finally, strong communications efforts directly influence a program's success. In Hawai‘i, the HDOT has seen how sustained messaging and consistent public engagement contributed to a high awareness rate among legislators, stakeholders, and residents, resulting in a marked increase in support for RUC after this targeted outreach. These are outcomes that speak to the measurable impact of strategic communications.