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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 the geographic  
2 layout of the Hawaiian islands creates unique logistical  
3 challenges for transporting goods between the islands. Hawaii's  
4 residents and businesses face significant challenges due to the  
5 high costs of inter-island shipping, which stem from logistical  
6 complexities, limited competition, and reliance on maritime  
7 transport. These costs disproportionately impact neighbor  
8 island communities, leading to inflated prices for everyday  
9 essentials and hindering economic parity across the State.

10           The legislature further finds that eliminating interisland  
11 transport costs for certain goods will foster economic benefits,  
12 including reducing the cost of living, supporting local  
13 businesses, and enhancing the competitiveness of Hawaii's  
14 industries. Affordable transportation of goods will stimulate  
15 trade, improve access to essential resources, and promote  
16 equitable economic growth across all islands.

17           Accordingly, the purpose of the Act is to:



- 1           (1) Extend the increase of the rental motor vehicle
- 2                    surcharge by \$0.50 each year from December 31, 2027,
- 3                    to December 31, 2031;
- 4           (2) Require the department of transportation to establish
- 5                    a five-year interisland transportation fee
- 6                    reimbursement pilot program, to be funded by revenues
- 7                    received from the rental motor vehicle surcharge; and
- 8           (3) Appropriate funds.

9           SECTION 2. Section 248-9, Hawaii Revised Statutes, is  
10 amended by amending subsection (a) to read as follows:

11           "(a) Moneys in the state highway fund may be expended for  
12 the following purposes:

- 13           (1) To pay the costs of operation, maintenance, and repair
- 14                    of the state highway system, including without
- 15                    limitation, the cost of equipment and general
- 16                    administrative overhead;
- 17           (2) To pay the costs of acquisition, including real
- 18                    property and interests therein; planning; designing;
- 19                    construction; and reconstruction of the state highway
- 20                    system and bikeways, including without limitation, the
- 21                    cost of equipment and general administrative overhead;



- 1           (3) To reimburse the general fund for interest on and  
2           principal of general obligation bonds issued to  
3           finance highway projects where the bonds are  
4           designated to be reimbursable out of the state highway  
5           fund;
- 6           (4) To pay the costs of construction, maintenance, and  
7           repair of county roads; provided that none of the  
8           funds expended on a county road or program shall be  
9           federal funds when expenditure would cause a violation  
10          of federal law or a federal grant agreement; [~~and~~]
- 11          (5) To pay the costs of establishing and maintaining a  
12          drug and alcohol toxicology testing laboratory that is  
13          intended to support the prosecution of offenses  
14          relating to operation of a motor vehicle while under  
15          the influence of an intoxicant[~~-~~];
- 16          (6) To reimburse designated carriers under the interisland  
17          transportation fee reimbursement pilot program  
18          pursuant to Act \_\_\_\_\_, Session Laws of Hawaii 2025,  
19          using revenues deposited from the rental motor vehicle  
20          surcharge pursuant to section 251-5."



1 SECTION 3. Section 251-2, Hawaii Revised Statutes, is  
2 amended by amending subsection (a) to read as follows:

3 "(a) There is levied and shall be assessed and collected  
4 each month a rental motor vehicle surcharge tax of \$5 a day, or  
5 any portion of a day that a rental motor vehicle is rented or  
6 leased. Beginning January 1, 2022, and each subsequent year on  
7 January 1 until December 31, [~~2027~~] 2031, the rental motor  
8 vehicle surcharge tax shall increase by \$0.50. The rental motor  
9 vehicle surcharge tax shall be levied upon the lessor; provided  
10 that the tax shall not be levied on the lessor if:

11 (1) The lessor is renting the vehicle to replace a vehicle  
12 of the lessee that:

13 (A) Is being repaired; or

14 (B) Has been stolen and is unrecovered or will not be  
15 repaired due to a total loss of the vehicle; and

16 (2) A record of the repair order, the stolen vehicle  
17 record, or total loss vehicle claim for the vehicle is  
18 retained either by the lessor for two years for  
19 verification purposes or by a motor vehicle repair  
20 dealer for two years as provided in section 437B-16.



1        In addition to the requirements imposed by section 251-4, a  
2        lessor shall disclose, to the department, the portion of the  
3        remittance attributed to the county in which the motor vehicle  
4        was operated under rental or lease. A peer-to-peer car-sharing  
5        program, as defined in chapter 279L, shall be subject to the tax  
6        imposed by this subsection and be subject to the other  
7        requirements of this chapter."

8        SECTION 4. (a) For purpose of this section:

9        "Department" means the department of transportation.

10       "Designated carrier" means entities engaged in the  
11       transport of goods between the Hawaiian islands.

12       "Essential goods" means goods critical for basic living,  
13       including:

14       (1) Food items;

15       (2) Agricultural products;

16       (3) Medical supplies and equipment; and

17       (4) Building materials for affordable housing.

18       "Interisland transport" means the shipment of goods between  
19       the islands within the State.

20       (b) The department shall establish an interisland  
21       transportation fee reimbursement pilot program. Under the



1 program, the department shall reimburse designated carriers for  
2 the actual transportation costs, as defined by the department,  
3 of essential goods, subject to documentation requirements and  
4 approval by the department, using revenues deposited into the  
5 state highway fund from the rental motor vehicle surcharge  
6 pursuant to section 251-5, Hawaii Revised Statutes.

7 (c) The department shall establish the following by  
8 October 30, 2025:

9 (1) A standardized application process for designated  
10 carriers, including an online portal for submission of  
11 claims. The standardized application process shall:

12 (A) Require designated carriers to submit:

13 (i) Itemized invoices for transportation costs;

14 (ii) Proof of delivery of goods transported; and

15 (iii) Certification that goods being transported  
16 are essential goods; and

17 (B) Set a timeline for reimbursement processing to

18 ensure payments are issued within thirty days

19 after approving a claim;

20 (2) A certification process to ensure goods being

21 transported are essential goods;



- 1           (3) A means of determining reimbursement for  
2           transportation costs in cases where essential goods  
3           are being transported along with, or intertwined with,  
4           non-essential goods;
- 5           (4) Eligibility and compliance guidelines, including  
6           licensing and operational requirements and protocols  
7           for periodic audits of designated carriers to verify  
8           compliance and prevent misuse of funds; and
- 9           (5) Budget monitoring procedures, such as maintaining a  
10          clear record of all subsidy disbursements and  
11          publishing quarterly financial reports detailing  
12          amounts reimbursed and the volume of essential goods  
13          transported.
- 14          (d) The department shall:
- 15          (1) Track the volume of essential goods transported under  
16          the pilot program;
- 17          (2) Measure cost reductions for essential goods, using  
18          baseline data collected before the pilot program is  
19          implemented;



- 1           (3) Conduct regular surveys with local businesses and  
2                       residents to assess the economic impact the pilot  
3                       program;
- 4           (4) Submit a report of its findings and recommendations,  
5                       including:
  - 6                       (A) Total funds disbursed under the pilot program;
  - 7                       (B) Performance metrics, such as changes in  
8                               transportation costs, economic growth, and access  
9                               to essential goods; and
  - 10                      (C) Any proposed legislation,  
11                      to the legislature no later than twenty days prior to  
12                      the convening of each regular session;
- 13          (5) Convene quarterly meetings with local businesses,  
14                       agricultural producers, health care providers, and  
15                       other stakeholders to gather feedback and address  
16                       operational challenges;
- 17          (6) Partner with the department of agriculture to  
18                       prioritize agricultural goods and ensure seamless  
19                       integration with existing agricultural programs;
- 20          (7) Launch an outreach campaign to inform designated  
21                       carriers and businesses regarding the pilot program;



1 (8) Provide a publicly accessible dashboard displaying key  
2 program metrics and updates; and

3 (9) Adopt rules pursuant to chapter 91, Hawaii Revised  
4 Statutes, to effectuate this Act.

5 (e) Any designated carrier found to have engaged in  
6 fraudulent practices to obtain a reimbursement under the pilot  
7 program shall:

8 (1) Fully repay funds reimbursed under the pilot program;

9 (2) Be liable for a penalty not exceeding \$50,000 per  
10 incident; and

11 (3) Be subject to potential suspension from participating  
12 in the pilot program.

13 (f) The department may seek federal grants and other  
14 funding sources for purposes of this pilot program.

15 SECTION 5. There is appropriated out of the general  
16 revenues of the State of Hawaii the sum of \$336,724 or so much  
17 thereof as may be necessary for fiscal year 2025-2026 and the  
18 same sum or so much thereof as may be necessary for fiscal year  
19 2026-2027 for four full-time equivalent (4.00 FTE) positions to  
20 develop, plan, execute, and monitor the interisland



1 transportation fee reimbursement pilot program established  
2 pursuant to section 4 of this Act.

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

5 SECTION 6. Statutory material to be repealed is bracketed  
6 and stricken. New statutory material is underscored.

7 SECTION 7. This Act shall take effect on July 1, 2025;  
8 provided that sections 2 and 4 of this Act shall be repealed on  
9 June 30, 2030, and section 248-9, Hawaii Revised Statutes, shall  
10 be reenacted in the form in which it read on the day prior to  
11 the effective date of this Act.

12

INTRODUCED BY:



JAN 22 2025



# H.B. NO. 1177

**Report Title:**

DOT; Interisland Transportation Fee Reimbursement Pilot Program;  
State Highway Fund; Rental Motor Vehicle Surcharge;  
Appropriation

**Description:**

Requires the Department of Transportation to establish and implement a five-year Interisland Transportation Fee Reimbursement Pilot Program, to be funded by revenues received from the rental motor vehicle surcharge. Extends the increase of the rental motor vehicle surcharge by \$0.50 each year from 12/31/2027 to 12/31/2031. Appropriates funds.

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

