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# A BILL FOR AN ACT

RELATING TO THE LAHAINA BYPASS.

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

1 PART I

2 SECTION 1. The legislature finds that the Lahaina bypass  
3 north is a critical infrastructure project for the State,  
4 specifically serving the communities of West Maui. The bypass  
5 is vital for improving traffic flow, supporting emergency  
6 response, and providing alternative access routes, especially in  
7 the wake of recent wildfires that have highlighted the  
8 vulnerabilities of the region's transportation network.

9 The legislature further finds that media reports and  
10 government analyses underscore the growing population in the  
11 Lahaina region, driven by new housing developments and increased  
12 tourism. These developments include projects under the  
13 department of Hawaiian home lands and the Hawaii housing finance  
14 and development corporation, which are expected to significantly  
15 increase the population and transportation demands in West Maui.

16 The legislature also finds that the bypass is a necessary  
17 improvement to accommodate the projected growth, ensure the



1 safety and welfare of residents, and maintain the region's  
2 economic vitality. It will also support the tourism industry,  
3 which is a cornerstone of the State's economy, by providing  
4 essential access for visitors and alleviating traffic congestion  
5 in key areas.

6 The purpose of this Act is to fund the Lahaina bypass north  
7 by:

8 (1) Imposing a special assessment as part of the rental  
9 motor vehicle and tour vehicle surcharge tax and using  
10 the proceeds of the special assessment to fund revenue  
11 bonds;

12 (2) Redirecting transient accommodations tax revenues  
13 collected from transient accommodations in West Maui  
14 to the special highway fund, explicitly earmarked for  
15 the Lahaina bypass north; and

16 (3) Authorizing the issuance of revenue bonds and general  
17 obligation bonds.

18 This Act represents a comprehensive approach to addressing  
19 the transportation needs of West Maui while fostering  
20 sustainable economic development and ensuring equity in  
21 infrastructure funding.



## 1 PART II

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

4 "(a) There is levied and shall be assessed and collected  
5 each month a rental motor vehicle surcharge tax of \$5 a day, or  
6 any portion of a day that a rental motor vehicle is rented or  
7 leased. For a rental motor vehicle that is rented in a county  
8 with a population of more than one hundred thousand but less  
9 than two hundred thousand, there is levied and shall be assessed  
10 and collected each month as part of and in addition to the  
11 rental motor vehicle surcharge tax a special assessment of  
12 \$\_\_\_\_\_ a day, or any portion of a day that a rental motor  
13 vehicle is rented or leased. The special assessment shall be  
14 allocated to the state highway fund for expenditure on the  
15 Lahaina bypass north. Beginning January 1, 2022, and each  
16 subsequent year on January 1 until December 31, 2027, the rental  
17 motor vehicle surcharge tax shall increase by \$0.50. The rental  
18 motor vehicle surcharge tax shall be levied upon the lessor;  
19 provided that the tax shall not be levied on the lessor if:  
20 (1) The lessor is renting the vehicle to replace a vehicle  
21 of the lessee that:



1 (A) Is being repaired; or

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

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

9 In addition to the requirements imposed by section 251-4, a  
10 lessor shall disclose, to the department, the portion of the  
11 remittance attributed to the county in which the motor vehicle  
12 was operated under rental or lease. A peer-to-peer car-sharing  
13 program, as defined in chapter 279L, shall be subject to the tax  
14 imposed by this subsection and be subject to the other  
15 requirements of this chapter."

16 PART III

17 SECTION 3. The legislature finds that the previous waiver  
18 of funding obligations for the Lahaina bypass north,  
19 particularly concerning transient accommodations taxes collected  
20 from West Maui resorts was both legally and practically  
21 unjustifiable, given the significant reliance of these resorts



1 on the bypass to support their operations and clientele. The  
2 legislature further finds that reinstating these funding  
3 contributions is not only equitable but also essential for  
4 fulfilling the long-term infrastructure needs of the region.

5 SECTION 4. Section 237D-6.5, Hawaii Revised Statutes, is  
6 amended by amending subsection (b) to read as follows:

7 "(b) Except for the revenues collected pursuant to  
8 section 237D-2(e), revenues collected under this chapter shall  
9 be distributed in the following priority, with the excess  
10 revenues to be deposited into the general fund:

11 (1) \$1,500,000 shall be allocated to the Turtle Bay  
12 conservation easement special fund beginning  
13 July 1, 2015, for the reimbursement to the state  
14 general fund of debt service on reimbursable general  
15 obligation bonds, including ongoing expenses related  
16 to the issuance of the bonds, the proceeds of which  
17 were used to acquire the conservation easement and  
18 other real property interests in Turtle Bay, Oahu, for  
19 the protection, preservation, and enhancement of  
20 natural resources important to the State, until the  
21 bonds are fully amortized;



1 (2) \$11,000,000 shall be allocated to the convention  
2 center enterprise special fund established under  
3 section 201B-8;

4 (3) An allocation shall be deposited into the tourism  
5 emergency special fund, established in  
6 section 201B-10, in a manner sufficient to maintain a  
7 fund balance of \$5,000,000 in the tourism emergency  
8 special fund; ~~and~~

9 (4) \$3,000,000 shall be allocated to the special land and  
10 development fund established under section 171-19;  
11 provided that the allocation shall be expended in  
12 accordance with the Hawaii tourism authority strategic  
13 plan for:

14 (A) The protection, preservation, maintenance, and  
15 enhancement of natural resources, including  
16 beaches, important to the visitor industry;

17 (B) Planning, construction, and repair of facilities;  
18 and

19 (C) Operation and maintenance costs of public lands,  
20 including beaches, connected with enhancing the  
21 visitor experience~~[-]~~; and



1       (5) Fifty per cent of all transient accommodations tax  
2       revenues collected from operators of transient  
3       accommodations located in West Maui shall be deposited  
4       in the state highway fund established under  
5       section 248-9 and shall be expended by the department  
6       of transportation for the Lahaina bypass north. For  
7       the purposes of this paragraph "West Maui" means the  
8       area congruent to the Maui county council west Maui  
9       residency area and district.

10       All transient accommodations taxes shall be paid into the  
11       state treasury each month within ten days after collection and  
12       shall be kept by the state director of finance in special  
13       accounts for distribution as provided in this subsection."

14                               PART IV

15       SECTION 5. Section 248-9, Hawaii Revised Statutes, is  
16       amended by amending subsection (a) to read as follows:

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

- 19       (1) To pay the costs of operation, maintenance, and repair  
20       of the state highway system, including without  
21       limitation, the cost of equipment and general



1 administrative overhead; provided that revenues from  
2 the transient accommodations tax allocation deposited  
3 under section 237D-6.5(b) (5) shall be expended for the  
4 Lahaina bypass north;

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

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

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

20 (5) To pay the costs of establishing and maintaining a  
21 drug and alcohol toxicology testing laboratory that is





1 intended to support the prosecution of offenses  
2 relating to operation of a motor vehicle while under  
3 the influence of an intoxicant[-]; and

4 (6) To pay interest on and principal of revenue bonds  
5 issued to pay the costs of construction, maintenance,  
6 and repair of the Lahaina bypass north.

7 For purposes of this subsection, "Lahaina bypass north"  
8 means the northern extension of the Lahaina bypass from Keawe  
9 street to its planned terminus at Honokowai."

10 PART V

11 SECTION 6. The director of finance is authorized to issue  
12 general obligation bonds in the sum of \$ or so much  
13 thereof as may be necessary and the same sum or so much thereof  
14 as may be necessary is appropriated for fiscal year 2025-2026  
15 for the purpose of the construction, maintenance, and repair of  
16 the Lahaina bypass north.

17 SECTION 7. The appropriation made for the capital  
18 improvement project authorized by this Act shall not lapse at  
19 the end of the fiscal biennium for which the appropriation is  
20 made; provided that all moneys from the appropriation  
21 unencumbered as of June 30, 2028, shall lapse as of that date.



1       SECTION 8. The director of finance is authorized to issue  
2 revenue bonds in the sum of \$                   or so much thereof as  
3 may be necessary and the same sum or so much thereof as may be  
4 necessary is appropriated for fiscal year 2025-2026 for the  
5 purpose of the construction, maintenance, and repair of the  
6 Lahaina bypass north. The principal and interest on the revenue  
7 bonds, to the extent not paid from the proceeds of those bonds,  
8 shall be paid solely from and secured solely by the revenue  
9 allocated to the state highway fund for the Lahaina bypass north  
10 pursuant to section 251-2, Hawaii Revised Statutes.

11       SECTION 9. The sums appropriated in this part shall be  
12 expended by the department of transportation for the purposes of  
13 this Act.

14                   PART VI

15       SECTION 10. The department of transportation shall provide  
16 an annual report no later than twenty days prior to the  
17 convening of each regular session to the legislature detailing  
18 the amounts collected and expended under this Act, as well as  
19 the progress of the Lahaina bypass north project. The reporting  
20 requirement established under this section shall remain in force



1 until the Lahaina bypass north project is deemed complete by the  
2 legislature.

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

5 SECTION 12. This Act shall take effect on July 1, 2050;  
6 provided that:

7 (1) Sections 2 and 4 shall take effect on January 1, 2026;  
8 and

9 (2) On June 30, 2035, section 2 of this Act shall be  
10 repealed and section 251-2, Hawaii Revised Statutes,  
11 shall be reenacted in the form in which it read on the  
12 day prior to the effective date of this Act.



**Report Title:**

Lahaina Bypass; Transient Accommodations Taxes; Rental Motor Vehicle Surcharge Tax; State Highway Fund; GO Bonds; Revenue Bonds

**Description:**

Adds a special assessment to the Rental Motor Vehicle Surcharge Tax, sunseting in 10 years, to fund revenue bonds for the Lahaina Bypass North. Includes payment of principal and interest of revenue bonds for the construction, operation, and maintenance costs of the Lahaina Bypass North as a permissible use of the State Highway Fund. Authorizes the issuance of general obligation and revenue bonds to fund the Lahaina Bypass North. Directs transient accommodations taxes collected from West Maui transient accommodations to fund the Lahaina Bypass North. Defines "West Maui". Effective 7/1/2050. (SD1)

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

