
A BILL FOR AN ACT

RELATING TO TRANSPORTATION AFFORDABILITY.

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

1 SECTION 1. The legislature finds that the State's
2 dependency on imported fossil fuels for ground transportation is
3 a crisis of affordability and economic security. According to
4 statistics from the department of business, economic
5 development, and tourism, Hawaii residents consume four hundred
6 fifty million gallons of imported gasoline and diesel fuel for
7 their cars and trucks every year, spending more than
8 \$2,300,000,000 in 2024 alone.

9 The legislature further finds that rural communities and
10 lower-income families are particularly overburdened by the high
11 and rising costs of fossil fuel vehicles. A recent study
12 revealed that rural and lower-income households are
13 disproportionately represented among those that consume and
14 spend the most on gasoline. Households having the highest
15 reliance on gasoline spend an average of \$13,700 on their
16 gasoline bills per year, accounting for fourteen per cent of



1 their incomes. Switching to electric vehicles could save these
2 households \$5,300 annually, a thirty-eight per cent savings.

3 The legislature also finds that the State's dependency on
4 fossil fuels for ground transportation is a climate injustice.
5 Rural, underserved, and disadvantaged communities are
6 disproportionately burdened and threatened by the harms and
7 costs of climate change, including sea-level rise, heatwaves,
8 wildfires, floods, droughts, extreme weather events, and
9 ecological collapse. Based on publicly reported data, gasoline
10 consumption by light-duty vehicles alone accounts for almost a
11 quarter of the State's climate pollution. However, current
12 technology can eliminate this pollution while saving money for
13 local families. If the highest seven per cent of gasoline users
14 in Hawaii were to convert to electric vehicles, they would save
15 more than \$220,000,000 per year on fuel. They would also avoid
16 more than 680,000 metric tons of carbon emissions, amounting to
17 almost four per cent of the State's total emissions and more
18 than the entire commercial sector's emissions. Market trends
19 data show that prices of zero-emission electric vehicles
20 continue to decline, and that electric vehicles are on average
21 thousands of dollars cheaper than their fossil-fueled



1 counterparts in the total cost of ownership, including fuel and
2 maintenance costs over the vehicles' lifetimes. For low- to
3 moderate-income households, however, the upfront investment for
4 a new vehicle remains a significant barrier to accessing these
5 savings opportunities. The legislature finds that financial
6 support for investments in new and used electric vehicles is
7 necessary to expand savings opportunities for low- and moderate-
8 income families and ensure that no one will be left behind in
9 the transition to a clean and climate-safe transportation
10 system.

11 The legislature additionally finds that in 2021, Hawaii
12 became the first state in the nation to declare a "climate
13 emergency" and passed Senate Concurrent Resolution No. 44,
14 calling for a statewide commitment and mobilization of
15 resources, including "[f]acilitation of investments in
16 beneficial projects and infrastructure such as zero emissions
17 energy [and] electric vehicles". Yet, unlike many other states,
18 Hawaii currently has no programs in place to support consumer
19 adoption of electric vehicles, particularly for low- and
20 moderate-income consumers. Now that the federal government has
21 abandoned the federal electric vehicle tax credits, the



1 legislature finds that the State must push forward with programs
2 to reduce the State's dependence on imported fossil fuels and
3 mitigate the continual financial drain from the local economy
4 and oppressive burdens on everyday household budgets.

5 The legislature believes that a clean vehicle rebate
6 program offers a key mechanism to support the shift to more
7 affordable transportation options, which can reduce the cost of
8 living for Hawaii families. A clean vehicle rebate program can
9 be supported by revenues from a fee on purchases of new fossil
10 fuel vehicles. The "2025 Energy Security and Waste Reduction
11 Plan" that the Hawaii department of transportation developed
12 under the landmark settlement agreement in the *Navahine* case
13 recommends a rebate program as part of its multifaceted approach
14 to support clean vehicle choices, pollution reductions, and
15 transportation savings.

16 The legislature further finds that the benefits of a clean
17 vehicle rebate program include:

18 (1) Promoting affordability and equity by expanding access
19 to clean vehicles and unlocking opportunities to save
20 on gas bills and reduce harmful pollution from
21 transportation. Studies have shown that a rebate



1 program can especially help reduce the cost of living
2 for lower-income households, who also currently bear
3 the brunt of the economic and environmental burdens of
4 the legacy transportation system;

5 (2) Enabling a market-based solution by providing the
6 right market signals for consumers to shift to cleaner
7 and more affordable vehicles, and for manufacturers to
8 offer consumers more clean vehicle choices; and

9 (3) Serving as a revenue-neutral mechanism that does not
10 require state government revenues and taxpayer support
11 through funding appropriations or tax credits.

12 Instead, it redistributes revenues within the consumer
13 market and returns funds back to the industry to
14 support clean vehicles. It offers a flexible model
15 that can complement a comprehensive suite of
16 incentives and can be adjusted over time to optimize
17 its scope and impact.

18 Accordingly, the purpose of this Act is to establish a
19 market-based clean vehicle rebate program that will reduce the
20 cost of living and cost of transportation, particularly for
21 lower-income households.



1 SECTION 2. Chapter 196, Hawaii Revised Statutes, is
2 amended by adding two new sections to be appropriately
3 designated and to read as follows:

4 **"§196-A Clean vehicle rebate program; third-party**
5 **administrator.** (a) The department of transportation shall
6 administer a rebate program that incentivizes the purchase or
7 lease of new and used clean vehicles, as provided in this
8 section. The department of transportation may contract with a
9 third-party administrator pursuant to subsection (i) to operate
10 and manage the rebate program.

11 (b) Rebates shall be distributed for purchases or leases
12 of eligible clean vehicles as follows:

13 (1) Each eligible purchase or lease of a new zero-emission
14 vehicle shall receive a rebate of \$5,000;

15 (2) Each eligible purchase or lease of a new plug-in
16 hybrid electric vehicle shall receive a rebate of
17 \$2,500;

18 (3) Each eligible purchase or lease of a used
19 zero-emission vehicle shall receive a rebate of
20 \$2,000; and



1 (4) Each eligible purchase or lease of a used plug-in
2 hybrid electric vehicle shall receive a rebate of
3 \$1,000.

4 The rebate shall be applied at the point of sale by participating
5 dealers on the manufacturer's suggested retail price.

6 (c) In determining eligibility for the clean vehicle
7 rebate program, the department of transportation shall also
8 apply the following:

9 (1) Rebates for new vehicles shall be offered for vehicles
10 that have a manufacturer's suggested retail price of
11 not more than \$60,000;

12 (2) Rebates for used vehicles shall be offered for
13 vehicles that:

14 (A) Are purchased from a dealer;

15 (B) Have a sale price of not less than \$3,000 and not
16 more than \$25,000 before the application of the
17 rebate but after any trade-in value;

18 (C) Have not received a rebate for a new vehicle
19 purchase under this section in the past twenty-
20 four months before the purchase as a used
21 vehicle;



- 1 (D) Have not previously received a rebate for a used
2 vehicle purchase or lease under this section; and
- 3 (E) Meet minimum reliability metrics developed by the
4 department of transportation in implementing the
5 clean vehicle rebate program;
- 6 (3) Rebates for leased vehicles shall be offered for
7 vehicles that:
- 8 (A) Are leased by dealers to consumers; and
9 (B) Have not previously received a rebate for a
10 vehicle lease under this section;
- 11 provided that the dealer shall clearly show the
12 calculated lease price before and after the
13 application of the rebate; and
- 14 (4) Rebates for plug-in hybrid vehicles shall be offered
15 for vehicles that have an electric range of not less
16 than forty miles.
- 17 (d) An additional rebate of \$3,000, in addition to the
18 rebate for eligible clean vehicle types in subsection (b), shall
19 be offered to purchasers and lessees in low- and moderate-income
20 households. The department shall provide outreach to low- and



1 moderate-income households and communities to increase consumer
2 awareness of the rebate program.

3 (e) The program administrator may provide guidelines and
4 conditions in addition to those specified in this section and
5 shall have the flexibility to make programmatic adjustments due
6 to market changes, technological advancements, and levels of
7 participation to ensure the prudent use of program funds and to
8 effectively manage the program budget.

9 (f) This section shall apply to clean vehicles purchased
10 from dealers after the date that the department of
11 transportation initiates the clean vehicle rebate program. The
12 department of transportation shall develop a plan by December
13 31, 2026, to initiate and implement the clean vehicle rebate
14 program using the proceeds from the clean vehicle special fund
15 established under section 196-B. To the extent possible, the
16 department of transportation shall seek to ensure continuity and
17 avoid interruption in the availability of rebates under the
18 program.

19 (g) The department of transportation shall:



- 1 (1) Prepare any forms that may be necessary for an
2 applicant to claim a rebate pursuant to this section;
3 and
- 4 (2) Require each applicant to furnish reasonable
5 information to ascertain the validity of the claim,
6 including documentation necessary to demonstrate the
7 legitimate purchase of an eligible clean vehicle under
8 subsection (b), compliance with the applicable
9 guidelines and conditions under subsections (c) and
10 (e), and verification of eligibility for the
11 additional rebate under subsection (d).
- 12 (h) Nothing in this section shall alter taxes due on the
13 original purchase of the clean vehicle before the application of
14 the rebate. Any rebate received pursuant to this section shall
15 not be considered income for the purposes of state or county
16 taxes.
- 17 (i) The department of transportation may contract with a
18 third-party administrator to operate and manage the clean
19 vehicle rebate program. The third-party administrator shall not
20 be deemed to be a "governmental body" as defined in
21 section 103D-104; provided that all moneys transferred to the



1 third-party administrator shall be comprised of funds collected
2 pursuant to section 237- , appropriated by the legislature, or
3 provided by the federal government or private funding sources.
4 The third-party administrator shall not expend more than ten per
5 cent of the amounts deposited in the clean vehicle special fund
6 established under section 196-B in any fiscal year, or any other
7 reasonable percentage determined by the department of
8 transportation, for the administrative costs of the clean
9 vehicle rebate program.

10 (j) The department of transportation shall review the
11 clean vehicle rebate program on an annual basis and submit a
12 report to the legislature no later than twenty days prior to the
13 convening of each regular session, beginning with the regular
14 session after the program is initiated. The report shall
15 include:

- 16 (1) Data on the numbers and dollar amounts of rebates
17 issued;
18 (2) Data on revenues received under section 237- ;
19 (3) The total program budget, including administrative
20 costs;



1 (4) Analysis of total consumer savings, including the
2 total cost of ownership;

3 (5) Analysis of low- and moderate-income consumer
4 participation and benefits;

5 (6) Analysis of emission reduction benefits; and

6 (7) Any proposed legislation.

7 The director of transportation shall furnish information
8 obtained through the administration of the program in response
9 to any request from the chief energy officer of the Hawaii state
10 energy office to fulfill the duties under sections 225P-8 and
11 196-71.

12 (k) The department of transportation may adopt rules
13 pursuant to chapter 91 to effectuate the purposes of this
14 section.

15 (l) For the purposes of this section:

16 "Dealer" has the same meaning as defined in section
17 437-1.1.

18 "Low- and moderate-income household" has the same meaning
19 as defined in section 196-111.

20 "Plug-in hybrid electric vehicle" has the same meaning as
21 defined in section 103D-412.



1 "Zero-emission vehicle" has the same meaning as defined in
2 section 196-9.

3 **§196-B Clean vehicle special fund.** (a) There is
4 established a clean vehicle special fund into which shall be
5 deposited:

6 (1) All other funds received by the department of
7 transportation and available for the purposes of the
8 clean vehicle special fund; and

9 (2) Interest earnings on all amounts in the clean vehicle
10 special fund.

11 (b) The clean vehicle special fund shall not be subject to
12 section 37-53.

13 (c) The department of transportation shall expend moneys
14 in the special fund for the purposes of funding the clean
15 vehicle rebate program established under section 196-A."

16 SECTION 3. There is appropriated out of the general
17 revenues of the State of Hawaii the sum of \$ or so
18 much thereof as may be necessary for fiscal year 2026-2027 to be
19 deposited into the clean vehicle special fund.

20 SECTION 4. There is appropriated out of the clean vehicle
21 special fund the sum of \$ or so much thereof as may be



1 necessary for fiscal year 2026-2027 for the department of
2 transportation to establish the clean vehicle rebate program.

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

5 SECTION 5. In codifying the new sections added by
6 section 2 of this Act, the revisor of statutes shall substitute
7 appropriate section numbers for the letters used in designating
8 the new sections in this Act.

9 SECTION 6. New statutory material is underscored.

10 SECTION 7. This Act shall take effect on January 1, 2027.



S.B. NO. 2691
S.D. 1

Report Title:

DOT; Clean Vehicle Special Fund; Clean Vehicle Rebate Program;
Rebate; Environment; Reports; Appropriations

Description:

Requires the Department of Transportation to establish a Clean Vehicle Rebate Program to provide rebates for the purchase or lease of certain new and used zero-emission vehicles and plug-in hybrid electric vehicles. Establishes the Clean Vehicle Special Fund. Requires an annual report to the Legislature. Appropriates funds. Effective 1/1/2027. (SD1)

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

