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Funding for energy office to be re-evaluated

State agency wants larger share of so-called barrel tax

Premium content from Pacific Business News by Duane Shimogawa, Reporter

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The State Energy Office will present a plan to the state Legislature in January that would nearly double what it currently receives from the so-called barrel tax in an effort to use the funding to install more programs and add staff to help the state move more quickly in its pursuit of renewable-energy goals.

The barrel tax, which was increased from 5 cents to \$1.05 cents in 2010, increased gasoline and energy prices with the main goal of funding clean-energy solutions and benefiting food security efforts. But of that \$1.05, 60 cents went into the general fund to fill what was then a state budget gap.

Now, the energy office, along with others such as the state Department of Agriculture, is asking for an increase to utilize barrel tax proceeds for their original purpose.

The energy office, which is administratively attached to the state Department of Business, Economic Development & Tourism, wants to increase its share of the tax from 15 cents to 27.5 cents for every barrel of petroleum that is imported to Hawaii.

Historically, the office primarily has been federally funded by the U.S. Department of Energy and recovery act monies.

"We never got any [general funds] to support us," said [Mark Glick](#), administrator for the State Energy Office.

He told PBN that the energy office has cut its staff by 20 percent in the past year and a half, and

with recovery act funds winding down that will add to his department's need for an increased share of the barrel tax.

"We have been fortunate to have other sources of funding, and now by retargeting the funding mechanism we are able to get on strong footing to carry out our mission and to meet our statutory requirements," Glick said.

The energy office's current overall annual budget is about \$4 million, and if it gets the barrel tax increase it is looking for it will more than triple its annual budget to about \$13 million.

Right now, it has 33 employees in the office, which is down from 44 about two years ago. Glick says that 36 employees are his office's optimal number.

Besides adding a few workers, he says the tax increase also will go toward beefing up its innovations division, stimulating entrepreneurship, spending more resources on moving to the private sector for performance energy savings contracts, developing technical assistance programs and continuing to refine and develop self-help tools.

"We believe that we can make the case that we have been continuing to leverage resources to get progress [toward clean energy], so we are prepared to make the case of the role of this office," Glick said.

Fereidun Fesharaki, an internationally recognized oil market analyst and a senior fellow at the East-West Center, is on board with what the State Energy Office is proposing.

"The key issue is that the State Energy Office has become extremely weak because of key staff losses," he told PBN. "It's a no-brainer that the state needs more money to put more staffers in that office."

Fesharaki says that the energy office should be allocated even more funding — to the tune of up to \$100 million annually — as the state faces some really big issues in energy.

"This crossroad happens only once in awhile," he said. "Serious decisions need to be made, [and] it's pretty clear that some of the goals of the Hawaii Clean Energy Initiative are pretty hard to reach."

[Jeff Mikulina](#), executive director of the Honolulu-based nonprofit **Blue Planet Foundation**, says he would like to see the barrel tax increased even more, to as much as \$5 per barrel, which he noted would bring \$120 million a year to the state.

"This transition to clean energy is so essential," he told PBN. "[Most] people are supportive of spending more on fossil fuels if clean energy is on the way."

Mikulina says that as the state uses less and less oil, it will need less and less money to make the transition to renewables.

"Hopefully, the energy office will be a museum we go to and visit someday," he said jokingly.

State Sen. [Sam Slom](#), R-Hawaii Kai-Aina Haina-Diamond Head, is among those who oppose the barrel tax altogether. He was one of seven senators who voted against the barrel tax increase in

2010.

"I am against the creation of special funds," he told PBN. "In almost every situation in the past 10 to 15 years, [the state] tells the public that they are going to do something with [the barrel tax], but they take it back. It's all about the money, it's not about energy."

Slom isn't against weaning the state off of fossil fuels, but he wants the state to use special funds for what they're intended to be used for.

"We have a bad history of this, [as] we can look at almost every special fund," he said. "The Hurricane Relief Fund, the Recycling Fund, the Rail Transit Fund — the state grabs those."

Slom says that the state and all of its stakeholders should be having a bigger discussion about the use of special funds, including the barrel tax, before being allowed to divvy up the money.

The overall barrel tax issue will come up again in this upcoming legislative session, according to Slom, who feels that there should be more input from the public in regard to the barrel tax and other special funds.

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