

Senate Bill 98

Power Cost Equalization Fund Management



House Finance Committee
May 4, 2023

What Does SB98 Do?

**The Power Cost Equalization Endowment Fund has about \$1 billion
Currently, it is managed by the Department of Revenue**

**SB98 would transfer management to the Alaska Permanent Fund
Corporation**

- The APFC would manage the money alongside their own assets.
- The PCE would be exactly as diversified as the Permanent Fund
- (This is what they currently do for the Mental Health Trust fund)
- Regular reporting to the legislature regarding asset value and income

Why change it?

- More diversity: the Dept. of Revenue's managers can only invest in stocks and bonds, and not the various alternative investments used by the Permanent Fund
- More stability: the PCE fund has changed it's earnings goals and investment allocation at least three times in the last four years.
 - Fund lost close to \$200 million in FY2022 (-16%)
- Less liquidity: managers moved much of the fund out of equities in early FY2021 expecting there would not be a "reverse sweep" at the end of that year, and missed big market gains.
 - PCE fund made 14% in FY21, while the Permanent Fund made 29%. That premature liquidation may have cost the fund \$150 million.
 - Courts later determined fund wasn't sweepable.

How would it change the PCE fund and program?

It wouldn't.

- The same 5% of fund value would be available each year to fund the programs described in statute
- The same “waterfall” of priority would be funded:
 1. The PCE program itself
 2. Costs of managing the fund
 3. If the previous year's earnings are more than what is needed for #1 and #2, 70% of the remaining earnings may be used for:
 1. Community Assistance (up to \$30 million)
 2. Renewable Energy Grant Fund, Bulk Fuel Revolving Loan Fund, or Rural Power system upgrades (up to 25 million)

THANK YOU

