

# **Senate Bill 98**

## **Power Cost Equalization Fund Management**



**Senate Finance Committee**  
March 14, 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 its 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

# Sectional Analysis

- Sec. 1.** Adds a new section to the Permanent Fund statutes, AS 37.13. The Alaska Permanent Fund Corporation is to manage the Power Cost Equalization Fund, and publish and distribute various reports. Clarifies that PCE earnings shall be kept separate from Permanent Fund earnings and not used in the POMV calculation.
- Sec. 2** Moves the PCE fund from a separate fund of the Alaska Energy Authority to a separate fund of the Permanent Fund Corporation.
- Sec. 3** Changes the PCE statute so that the fund is managed by the Corporation rather than the Commissioner of Revenue. Adopts the Permanent Fund's investment guidelines in place of the current Prudent Investor Rule.
- Sec. 4** Conforming language so that the 5% of fund value is determined by the Corporation rather than the Department.
- Sec. 5** Adds a definition to clarify that “corporation” in this bill means the Alaska Permanent Fund Corporation.

# THANK YOU



Feel Free to Call or Email with Any Questions

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