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Member of the National League of Cities and the National Association of Counties

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The Alaska Municipal League (AML) supports the immediate resolution of short- and long-term funding of the Power Cost Equalization program (PCE). The failed legislative vote to achieve the constitutionally required $\frac{3}{4}$ vote threshold for the reverse sweep, coupled with the State's position that the PCE endowment is sweepable, has erased PCE payments that Alaskans depend on right now, even as it threatens the sustainability of the program over time.

The potential for litigation on this topic arose in 2019, based on the State's position. It's not a first choice, nor an only choice, but clearly there is interest in seeing this issue resolved quickly so that payments can be made to Alaskans, and clarification can be given by the Judiciary as to whether it is indeed sweepable under Article IX, Section 17 of the Alaska Constitution. But seeking Judicial clarification isn't the only necessary step, especially if it takes time.

The Governor and the Legislature can act to correct the fund source issue in the upcoming August Special Session. The Governor has made it very public that he supports PCE and will ask the Legislature to address it in the upcoming Special Session. We appreciate the Governor taking this very important first step. We ask the Majority and Minority legislators – many of whom have similarly expressed a commitment to funding PCE – to pull together toward quick resolution of this as soon as possible in August.

At the very least the Legislature can pass an appropriations bill that includes this year's PCE payment, retroactive to July 1. For the long term, the Legislature could find new ways to approach the endowment, including to appropriate it to the Permanent Fund, where it can live in perpetuity.

AML has a stated position to support programs that decrease energy costs in Alaska, and reiterated its position in Resolution 2021-04, "AML first and foremost expects that the State respect and preserve the integrity of the PCE endowment, avoiding its diminishment to meet short-term budgetary demands." AML members voiced support for the PCE program arguing that:

- Whereas, the Power Cost Equalization (PCE) fund and program is a recognition that the State has made significant investment in Railbelt and urban energy infrastructure, including the subsidy of Cook Inlet natural gas prices; and
- Whereas, similar and equitable investments have not been made to address high energy costs across much of the rest of Alaska, even as State programs have made uneven attempts to produce solutions; and
- Whereas, high energy costs are one of the most significant features of high transaction costs, which compound business development and the cost of living; lower energy costs spur development and investment, and require less in the form of State subsidies for other types of programs or offsets;

AML urges action. Until then, and along the way, we hope that recently filed litigation can keep funds flowing until the issue is resolved, clarify the legal questions at stake, and provide a path forward for all parties.