Chad Hutchison
State Relations Director
University of Alaska
2025 Yukon Drive
Fairbanks, Alaska 99775

UNIVERSITY of ALASKA
Many Traditions One Alaska

Juneau: (907) 463-3086
Cell: (907) 378-3946
clhutchison@alaska.edu

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The Honorable Bert Stedman
Co-Chair, Senate Finance Committee
Alaska State Senate
Capitol Building, Room 518
Juneau, Alaska 99801

Co-Chair Stedman:

Thank you for having the University of Alaska (UA) help present on February 23, 2021, in front of the Senate Finance Committee. Please see below for follow-up to questions raised at the hearing:

1. **Can the University of Alaska (UA) use Federal COVID-19 Relief funding for facility maintenance projects such as HVAC? *(Sen. von Imhof)***

The answer is a cautionary "no," for now, on older, pre-pandemic planned projects (as the UA reflects on historical restricted uses under the CARES Act,[1] various US Treasury guidance memorandums,[2] "other state" audit conclusions,[3] and the experience of local governing entities throughout Alaska).[4]

However, that will not prohibit the UA from giving this "thorough review" and looking to secure allowable funding to the extent possible. This situation is evolving…but known definitive federal funding is not guaranteed.

In addition, this answer may change as we further understand the Coronavirus Response and Relief Supplemental Appropriations (CRRSA) Act guidance documents[5] (as interpreted by the Biden Administration) and watch anticipated movement of a "fifth COVID support package" from the US Congress.[6]

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[1] *See* https://www.congress.gov/bill/116th-congress/senate-bill/3548/text?q=product+actualizaci%C3%B3n, as of March 2, 2021 at 4:51PM.
[2] *See* https://home.treasury.gov/system/files/136/CRF-Guidance-Federal-Register_2021-00827.pdf, as of March 2, 2021 at 4:49PM.
[3] *See* https://www.newsobserver.com/news/politics-government/article247550000.html as of March 3, 2021 at 11:13AM.
[4] *See* https://www.akml.org/covid-19-information/q-a/, as of March 2, 4:55PM.
[5] For example: *See* https://education.alaska.gov/news/COVID-19/FY21%20CRRSA%20Act%20Informational%20Document%20FINAL.pdf, as of March 2, 2021 at 4:57PM.
[6] *See* https://www.nbcnews.com/politics/congress/house-vote-biden-s-1-9-trillion-covid-relief-bill-n1258883, as of March 2, 2021 at 4:58PM.

Generally speaking, the UA's current understanding is that any "covered costs" for capital improvement, DM/R&R, would need a significant nexus the COVID emergency,[7] and/or to be temporary in nature and/or something not planned or budgeted for prior to the pandemic.

It is true that HVAC systems may be paid for under the CARES Act and CRRSA funds if the focus is in direct response to the COVID health emergency.[8] However, for UA's purposes, and in the interests of full continuing disclosure, the UAA's Consortium Library Old Core Mechanical Upgrade needs (including HVAC) existed prior to the pandemic and cannot be said to be "in direct response to the COVID health emergency."

The UAA Consortium Library Old Core Mechanical Upgrades involve original HVAC systems that are over 46 years old and located within four central building cores. The boilers, main supply/exhaust fan units, heating/cooling coils, galvanized piping and humidification systems have all reached the end of their useful life. Control systems are no longer able to properly regulate air flow resulting in irregular temperatures and conditions within the building. The 2004 library addition contains newer HVAC systems with different control and delivery systems that have resulted in incompatibilities between the two systems and has affected the efficiencies of both systems.

In other words: UAA's HVAC issues existed prior to the COVID pandemic and using federal funds to repair systems approaching the end of their useful life, would have an arguable significant nexus to the emergency, but, candidly, would not be considered to be done "in direct response to the COVID health emergency."[9]

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[7] [A] clear nexus to significant changes to the delivery of instruction due to the coronavirus. https://www2.ed.gov/about/offices/list/ope/caresactsupplementalfaqs63020-90820revision.pdf as of Feb. 28, 2021 at 1:28PM.

[8] *See* https://www.cde.state.co.us/caresact/crf-allowableexpenditures, as of March 2, 2021 at 4:11PM.

[9] Emphasis added. Here is an example of the historically strict restrictions on the CRRSA Act Higher Education Emergency Relief Fund (HEERF) funds:

> Recipient acknowledges that no supplemental grant funds may be used to fund contractors for the provision of pre-enrollment recruitment activities; marketing or recruitment; endowments; capital outlays associated with facilities related to athletics, sectarian instruction, or religious worship; senior administrator or executive salaries, benefits, bonuses, contracts, incentives; stock buybacks, shareholder dividends, capital distributions, and stock options; or any other cash or other benefit for a senior administrator or executive. https://www2.ed.gov/about/offices/list/ope/supplementalagreement314a1i.pdf as of Feb. 28, 2021 at 1:26PM.

Previous US Treasury guidance has stated:

> **Could Fund payments be used for capital improvement projects that broadly provide potential economic development in a community**?

2. **Please submit a revised combined one-pager of ranked UA Capital priorities without regard to the state funding source, but shows whether the project is eligible for federal COVID funding. *(Sen. Stedman)***

Please see attached list titled "University of Alaska - Prioritized Capital Projects" (Exhibit 1). None of the projects are eligible for COVID Relief funding because they either don't have a significant nexus to the COVID emergency, and/or they are not temporary in nature, and/or they were already planned or budgeted for prior to the pandemic.

3. **What level of state capital funding can UA absorb within a fiscal year? Absorption rate of capital spending by UA System previously suggested at $35 million. *(Sen. Stedman)***

Within a couple years, UA can plan and execute on $35-$50 million a year on deferred maintenance, renewal, and repurposing projects. The more consistent the annual funding, the higher the amount that can be executed each year. Consistent funding also provides more efficient and effective execution of funds (e.g. universities can commit to funding entire projects vs phases, which drives down the costs and is less disruptive to building occupants).

For historic example: UA's ability to execute capital funds was demonstrated during the years (FY11-FY15) when the state was making substantial annual deferred maintenance investments. UA was able to put the funding to work faster than any other state agency.

Noteworthy: It takes time for projects to be planned, designed and constructed. That's why it takes 3-5 years for funding to be spent. For example: If appropriated $50 Million every year, the first year, the UA would "absorb" $10 Million, the second year $30-40 Million, and by the third year, we would be "absorbing" $50 Million for each and every year after that.

In general, no. If capital improvement projects are not necessary expenditures incurred due to the COVID–19 public health emergency, then Fund payments may not be used for such projects. However, Fund payments may be used for the expenses of, for example, establishing temporary public medical facilities and other measures to increase COVID–19 treatment capacity or improve mitigation measures, including related construction costs. https://home.treasury.gov/system/files/136/CRF-Guidance-Federal-Register_2021-00827.pdf as of Feb. 28, 2021 at 1:27PM.

4. **Please provide a breakdown of the University of Alaska's current capital project balances. *(Sen. Stedman)***

UA Deferred Maintenance, Renewal, and Repurposing Appropriations

FY	Approp	Exp/Enc*	Balance
2018	5,000,000	4,750,364	249,636
2019	5,000,000	4,130,446	869,554
2020	5,000,000	3,219,185	1,780,815
	$15,000,000	$12,099,996	$2,900,004

* Activity as of Feb 23, 2021

All appropriated funds are committed to projects and expected to be fully expended by 06/30/2022. Projects are in various stages of design, construction, and close-out. Ongoing projects include: elevator improvements, generator replacement, roof replacements, infrastructure, lighting upgrades, interior systems, and code compliance and safety improvements.

5. **What is UA's position on the proposed Elmore Road extension project in Anchorage's U-Med district? Would UA agree it is a critical project? *(Sen. von Imhof)***

UA and UAA have historically supported the Elmore Road extension, with the most recent letter of support from Chancellor Sandeen in September of 2018 to the Mayor's office, Anchorage Assembly, and Anchorage Metropolitan Area Transportation Solutions (AMATS) Policy committee.

We agree that the issue involves critical safety and traffic concerns.

The benefits to the Anchorage Campus include:

- The current northern access route into the district is UAA Drive. UAA Drive bisects the Anchorage Campus and serves as the connection for the east and west campus parking lots. Increased north-south traffic makes it difficult for students and employees to exit onto this collector road safely. Vehicular accidents and near-misses are common in this area.
- Access to and from the east campus is through two intersections, both of which struggle to meet the traffic load. In addition to the constraints at UAA Drive, the Providence Drive intersection is also one of the main access points to the Providence Alaska Medical Center. Vehicular congestion is high. Pedestrian

activity at this intersection is also very high, as this is the connection between our residence halls and the campus. The northern access road would allow for an additional access point to the east campus, improving both vehicular and pedestrian safety.

- The heavy traffic on UAA Drive prevents UAA from achieving its vision of a more pedestrian-friendly campus. The Elmore extension would reduce traffic on UAA Drive, improving the safety for non-motorized users. If our campus can increase its pedestrian focus we can expect a reduction in cross-campus vehicular movement, further reducing traffic in the district.

In addition to these critical safety and traffic concerns, the Elmore extension would improve UAA's ability to pursue public private partnerships for undeveloped property and increase the marketability of existing investment facilities along Elmore and Bragaw.

6. **Is UAF open to or exploring eventually transitioning the Combined Heat and Powerplant from coal to natural gas given the Legislature's investment in natural gas infrastructure? *(Sen. von Imhof)***

Please see attached "UAF Fuel Costs" slide (Exhibit 2).

UAF is always willing to look at alternate energy sources, but right now, the economics simply don't exist. The new coal fired boiler has allowed UAF a substantial savings in fuel as opposed to the previous mix of coal, oil, gas, and local electric utility. Currently, coal costs about $5 per million BTUs whereas gas is $16.50 per million BTUs. Over a full calendar year, coal will save the university about $15M in fuel cost. Further, there is not enough available gas to power the Fairbanks campus loads and according to the local utility, it would require five (5) trucks per day to cover the campus loads for a typical year.

The new boiler is capable of using natural gas up to a certain limit however major modifications would be required to convert to gas. During the energy cost/benefit review, UAF identified approximately $10M in upgrades needed to store and burn natural gas.

7. **How much did the university request in capital spending and how much of it did the governor forward to the legislature? *(Sen. Bishop)***

The Board of Regents FY22 Budget requested $50 million (UGF) for deferred maintenance, renewal and repurposing capital spending. The Governor's submitted amended Capital spending plan, outside of the general obligation bond proposal, does not contain funding for the University of Alaska.

Please let me know if we can provide any additional information to the committee on these or other topics.

Respectfully,

Chad Hutchison

Cc: Senator Click Bishop, Co-Chair - Senate Finance Committee; Pat Pitney, Interim UA President; Michelle Rizk, VP University Relations

University of Alaska
PRIORITIZED CAPITAL PROJECTS

(in thousands of $)

On Feburary 23, 2021, the Senate Finance Committee requested the UA's prioritized list of capital projects without regard to state funding source. In addition, the list was to include whether the project was eligible for federal COVID funding. The below list represents the response to the request from the committee. The list was finalized by the State Director's office on March 2, 2021.

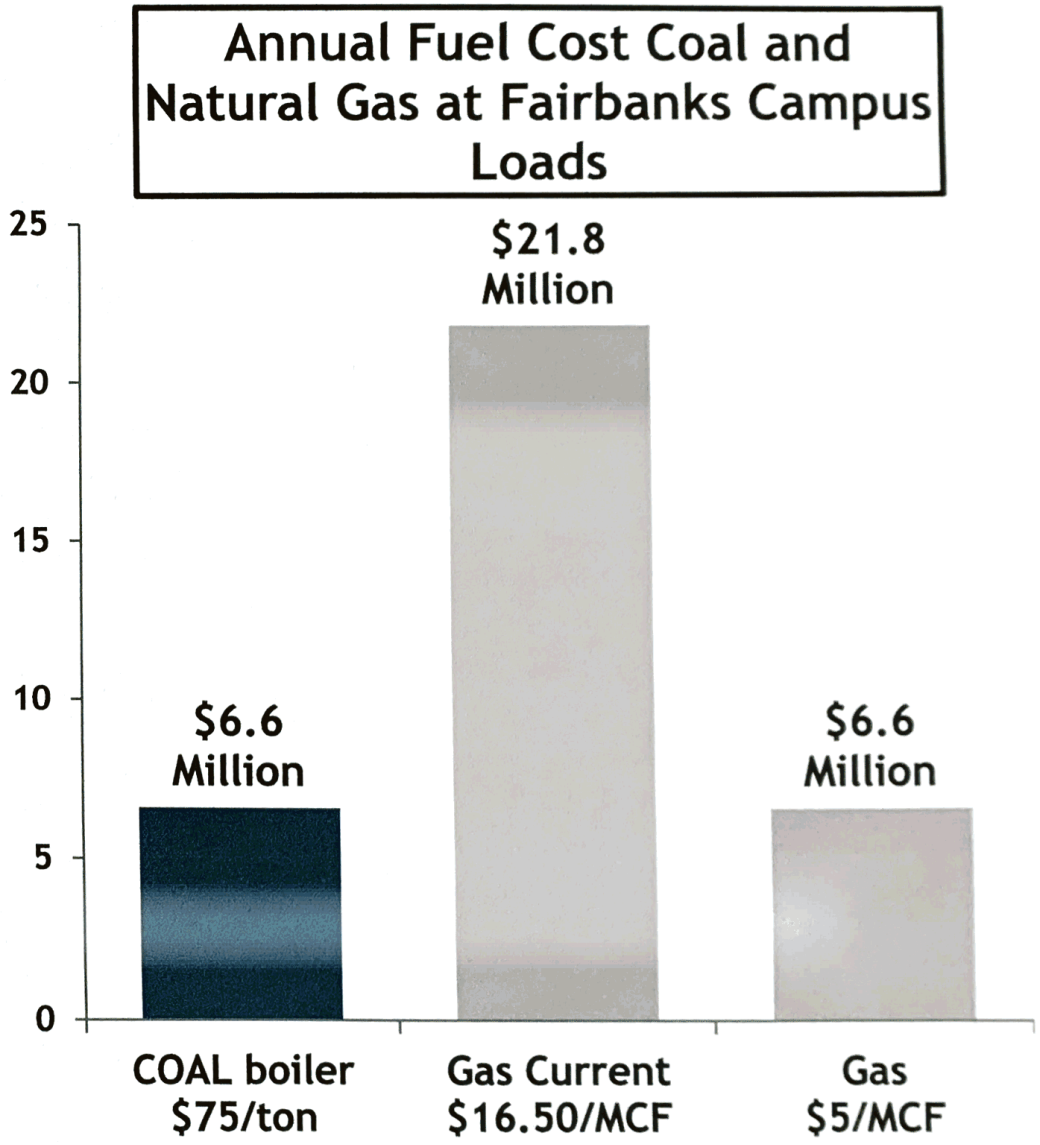
	Univ.	Bond Project	Location	Amount	Reduces DM/R&R Backlog	COVID Funds Eligible
1	UAF	Bartlett and Moore Student Housing Modernization and Renewal	Fairbanks	18,650.0	18,650.0	No
2	UAA	Building Energy Performance Upgrades	Anchorage	10,900.0	10,900.0	No
3	UAA	Conocophillips Integrated Science Building (CPISB) Combined Heat and Power Energy Savings Project	Anchorage	428.0		No
4	UAS	Building Envelope & Roof Systems	Southeast	675.0	675.0	No
5	UAF	Rasmuson Library Student Success Center	Fairbanks	4,000.0	1,850.0	No
6	UAA	Consortium Library Old Core Mechanical Upgrades	Anchorage	2,600.0	2,600.0	No
7	UAS	Juneau Campus - Natural Science Lab Consolidation	Juneau	500.0	350.0	No
8	UAF	Patty Center Pool Revitalization	Fairbanks	3,465.0	3,465.0	No
9	UAA	Kodiak Campus Center Roof Replacement	Kodiak	611.7	284.7	No
10	UAF	Kodiak Seafood and Marine Science Center Energy Efficiency	Kodiak	400.0	400.0	No
11	UAF	Kuskokwim Campus Vocational Education Center Electrical Systems Code Corrections	Bethel	600.0	600.0	No
12	UAF	Hess Village Student Housing Sanitary and Storm Sewer Infrastructure Replacement	Fairbanks	2,300.0	2,300.0	No
13	UAS	Ketchikan Campus - Maritime Center Roof Replacement	Ketchikan	800.0	800.0	No
14	UAA	Kenai Peninsula College McLane Building	Soldotna	996.0	996.0	No
15	UAS	Sitka Campus Emergency Power	Sitka	500.0	500.0	No
17	UAF	Community and Technical College University Park Building Restroom Renovation	Fairbanks	550.0	550.0	No
18	UAS	Juneau Campus Underground Fuel Tank Replacements	Juneau	450.0	450.0	No
19	UAA	Matanuska-Susitna College Snodgrass Hall Roof Replacement	Palmer	943.6	272.0	No
20	UAA	Prince William Sound College Student Housing Re-Roof	Valdez	377.7	377.7	No
21	UAF	Seward Marine Center Fisheries Research Lab Refresh	Seward	300.0	300.0	No
22	UAF	Bristol Bay Campus Margaret Wood Building Fire Alarm System	Dillingham	235.0	235.0	No
			Total	**50,282.0**	**46,555.4**	

Prepared by: UA Strategy, Planning and Budget

UAF Fuel Costs

Considerations with converting to a natural gas plant

- *A reliable supply of gas sufficient for campus operations is not available in Fairbanks*
- *Trucking gas to campus is interruptible, weather dependent*
- *Gas is significantly more expensive per energy unit*
- *Capital outlay to convert current plant from coal to gas estimated at $10M*



Ex. 2
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