



UNIVERSITY
of ALASKA



Deferred Maintenance and Modernization Strategy

Background

Facility deferred maintenance and renewal has been the Board of Regents' **number one capital priority** for more than twenty years. The backlog of deferred maintenance projects continues to grow and there is a need for a new deferred maintenance (DM) strategy.

UA facilities represent **over 40% of all capital infrastructure for the State of Alaska**. UA's deferred maintenance needs require a planned and consistent funding model similar to the State's Capital Income Fund.

A modest revenue stream of \$35 million per year would bring greater stability and predictability to UA. Historical appropriations and funding levels signify broad support by the State of Alaska. When similar funding levels were received in the past, UA was able to flatten the deferred maintenance curve.

In the past three years, the University has received an average of \$15M in deferred maintenance funding, so **the legislation would require an additional \$20M over current spending levels.**

Key components of UA deferred maintenance and modernization fund

Planning: UA engages in capital planning. Board of Regents proposes a DM list for legislative approval. Spending within the fund is limited to projects on this list.

State Funding: Legislature appropriates \$35M. Funds are transferred or appropriated each year to a non-lapsable fund at the State of Alaska or UA.

Cost Sharing: UA Contributes in the future. Assuming stable operating fund increases, UA commits to contributing \$1-2M annually beginning in 2028 and growing to \$10M by 2035.

Continuation: Initial project list will be submitted to the Legislature concurrently with the bill, and go into uncodified laws. The University will maintain the DM list year-to-year, removing any completed projects and adding DM projects from UA's backlog.

Accountability measures

UA is committed to incorporating a number of accountability measures, including an annual report of accomplishments and impacts.

Project List: Spending will be limited to the project list. The Legislature will retain the authority to approve financing with annual payment greater than \$2.5M. (AS 14.40.253). Subsequent project lists that include new projects will be proposed by Board of Regents and approved, disapproved or modified by the legislature.

Funding models: Various funding approaches will be used to achieve desired outcomes (e.g., cash payments, debt issuance, finance lease, or public-private partnerships). When debt is issued, UA will pursue the lowest cost of capital (e.g., UA revenue bonds, AMBBA, or AHFCA). UA commits to contributing \$1-2M annually beginning in 2028 and growing to \$10M by 2035. UA will produce financial reports, outlining the use of all funds.

Operating within our means: Predictable funding stream will allow UA to commit to no new DM funding request for a 6-year period (i.e., 2025-2030). Managing deferred maintenance needs will allow UA to avoid costly repairs due to critical failures.

Modernization: There will be a focus on operating efficiency to reduce ongoing costs. For demos and replacements, UA will drive for reduced footprints and space optimization.

Benefits and outcomes

Reputational Impact	Advanced Planning	Operating Efficiencies	Improved Space Use
Reinvestment serves as a catalyst to grow student enrollment at UA's world class institutions.	Sustained focus on long-term capital planning allows for better project execution . Predictable funding will also strengthen the construction industry by allowing contractors to scale operations and supporting new job growth across the State.	Achieve cost savings through energy efficiency, reduced square footage, and avoidance of costly repairs.	Universities will cultivate a more vibrant campus life and better meet student expectations.