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March 19, 2013

Senator Pete Kelly
State Capital Room 516
Juneau, AK 99801

Dear Senator Kelly:

The Board of Regents supports Senate Bill 74 creating the University Building Fund (UBF), modeled after the Alaska Public Building Fund (APBF), which has been operated successfully by the Department of Administration since 2000. The APBF has accomplished its objective of making agencies cost-conscious about the space they occupy, and has functioned as a mechanism to preserve facility assets and extend their useful life. We welcome the opportunity to apply this concept to university assets.

The University of Alaska maintains over 400 buildings with a current replacement value of more than \$3.5 billion. These facilities comprise almost 40% of the square footage owned by the State of Alaska, and preserving the state's substantial investment in these structures has been a priority for the Board of Regents, particularly as the backlog of deferred maintenance and renewal began increasing as the buildings aged. More than half of university buildings are over 30 years old. Inadequate appropriations for the scheduled replacement of worn-out building components such as roofs, electrical equipment, and heating and ventilation systems have left many of them with substantial maintenance backlog. Building components often get replaced only when they fail, causing collateral damage and dislocation for people and programs. The university's backlog of deferred maintenance and renewal has grown to more than \$1.0 billion, and it increases every year. The Board of Regents recognizes that something must change about the processes used to manage both building stewardship and space utilization.

Creation of the UBF provides a mechanism to charge departments for space they occupy. By gathering and analyzing cost and utilization data the university can implement a rent charge to the occupants of covered buildings, providing incentive for improved space management and utilization practices. Charging for space will make it clear that space has a significant budgetary impact on each campus, and in addition will:

- encourage improved space utilization rates, for both hours per week and seat occupancy
- empower departments to manage space for the highest and best use

- encourage a cultural change from entitlement thinking to maximizing use of every square foot
- encourage energy efficiency
- encourage relinquishment of space with a low utilization rate or as program needs change

The Board of Regents appreciates your sponsorship of this legislation.

Sincerely,



Patricia A. Jacobson, Chair
Board of Regents

cc: Board of Regents
President Patrick Gamble, University of Alaska