HOUSE FINANCE COMMITTEE
February 1, 2023
1:33 p.m.

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CALL TO ORDER

Co-Chair Edgmon called the House Finance Committee meeting to order at 1:33 p.m.

MEMBERS PRESENT

Representative Bryce Edgmon, Co-Chair
Representative Neal Foster, Co-Chair
Representative DeLena Johnson, Co-Chair
Representative Julie Coulombe
Representative Mike Cronk
Representative Alyse Galvin
Representative Sara Hannan
Representative Andy Josephson
Representative Dan Ortiz
Representative Will Stapp
Representative Frank Tomaszewski

MEMBERS ABSENT

None

ALSO PRESENT

Neil Steininger, Director, Office of Management and Budget, Office of the Governor; Jason Sakalaskas, Director, Facilities Services, Department of Transportation and Public Facilities; Sara Perman, State Relations Manager, University of Alaska.

PRESENT VIA TELECONFERENCE

Alesia Kruckenberg, Director, Planning, Strategy, and Budget, University of Alaska; Nathan Leigh, Director, Facilities Services, University of Alaska Southeast; Christopher McConnell, Director, Facilities, Planning, and Construction, University of Alaska Anchorage.

SUMMARY

HB 39 APPROP: OPERATING BUDGET/LOANS/FUND; SUPP

HB 39 was SCHEDULED but not HEARD.

HB 41 APPROP: MENTAL HEALTH BUDGET

HB 41 was SCHEDULED but not HEARD.

PRESENTATION: DEFERRED MAINTENANCE BY:

OFFICE OF MANAGEMENT and BUDGET
DEPARTMENT OF TRANSPORTATION and PUBLIC FACILITIES
UNIVERSITY OF ALASKA

Co-Chair Edgmon reviewed the meeting agenda.

^PRESENTATION: DEFERRED MAINTENANCE

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NEIL STEININGER, DIRECTOR, OFFICE OF MANAGEMENT AND BUDGET, OFFICE OF THE GOVERNOR, provided a PowerPoint presentation titled "Office of Management and Budget: Deferred Maintenance: House Finance Committee," dated February 1, 2023 (copy on file). He began with a definition of deferred maintenance on slide 2:

Deferred maintenance is maintenance or repair projects that have been delayed or postponed due to lack of funds within an entity's normal operating budget cycle.

State of Alaska property portfolio:

- 2,400+ facilities (includes University)
- 20 million square feet of space
- 15 State Agencies
- Type varies by Agency

Mr. Steininger elaborated on slide 2. He relayed that each department with responsibility for one or more facilities generally had money in its operating budget for routine maintenance; however, often projects could be put off because they were too large in scope or were put off as a result of short funding. Once that took place, the work became deferred maintenance and moved to a backlog list.

He noted the need for deferred maintenance varied greatly by agency. He highlighted examples including the capitol building and a remote cabin used for field workers for the Department of Fish and Game (DFG). Depending on the age, use, and location, the facilities had very different maintenance needs.

Co-Chair Edgmon asked for verification that the deferred maintenance category and list did not include K-12 public schools.

Mr. Steininger responded affirmatively. The list only included state-owned facilities. He noted the only schools included were Mount Edgecumbe and the University.

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Mr. Steininger turned to slide 3 titled "Funding Recommendations and Targets." There was no one definitive rule on the level of preventive maintenance necessary to avoid deferred maintenance, but a 2012 National Research Council publication referenced a range of 2 to 4 percent of replacement cost value of the buildings. The total FY 21 replacement cost value (excluding University) was $7,678,370.1. He explained that if the figure was extended to the 2 to 4 percent range the replacement value cost was between $150 million and $310 million. He noted that other publications sometimes used 1 percent as a benchmark, which would be about $76 million.

Co-Chair Edgmon recognized that Representative Ortiz had joined the meeting.

Representative Hannan had seen an annual report published in Alaska that used a letter grading scale (A-F) to rate statewide facilities and maintenance. She wondered if the engineers compiling the report used data from the Office of Management and Budget (OMB). She noted that the state was typically given a C to D rating on the maintenance of its facilities.

Mr. Steininger replied that he was not familiar with the specific report. He would follow up.

Representative Hannan relayed that she would find the report and pass it along to OMB.

Co-Chair Edgmon believed Representative Hannan was referring to a national publication that gave grades to every state.

Representative Hannan agreed but noted the Alaska chapter of the organization provided input from Alaskan engineers.

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Representative Tomaszewski observed that slide 2 included the University; however, the information on slide 3 did not. He asked for the reason.

Mr. Steininger answered that OMB did not have the data for the University for slide 3. He explained that the University's maintenance was generally budgeted separately, and the University would provide its own presentation on its facilities. He informed committee members that most of his slides going forward in the presentation would exclude the University.

Mr. Steininger moved to slide 4 titled "Governor's Budget Maintenance Funding." The slide included deferred maintenance and ongoing operating maintenance in the FY 24 budget. The capital budget included $35 million spread across statewide deferred maintenance, court system maintenance, corrections statewide security doors and windows, courts maintenance, and DFG maintenance. The FY 24 maintenance and operating allocation for all agencies was about $77.8 million. The total for capital and operating shown on slide 4 was $112.6 million. He highlighted that the total was greater than the 1 percent benchmark but fell short of the 2 to 4 percent range.

Representative Galvin asked why there was a separation between the executive agencies from the University. She asked if it was typical for other states.

Mr. Steininger answered he was not sure if it was normal for every state to separate their university from the rest of the budget. He explained that in Alaska, the University of Alaska budget was a recommendation of its Board of Regents, which was independent from the governor's budget process. He relayed that the University generally spoke to its budget request separately from the rest of the state's budget requests out of respect for the board's process.

Representative Galvin assumed the split was historically typical in order for the Board of Regents to make their own ask for their own needs.

Mr. Steininger responded that the University was included in the governor's budget. The University was not under the Division of Facilities Services and the Department of Transportation and Public Facilities (DOT); it had its own structure for deferred maintenance. He explained that the University had its own structure for maintenance activities. The state had historically provided a portion of the deferred maintenance funding to the University to ensure it could meet its highest needs. He remarked there was some gray area.

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Representative Galvin asked for verification there was not a higher value given to state facilities over the University facilities. She surmised the separation occurred for the sake of better communication.

Mr. Steininger replied, "Generally speaking, yes."

Representative Josephson believed Mr. Steininger had stated something that was not entirely accurate. He referenced Mr. Steininger's statement that occasionally a portion of statewide deferred maintenance funding was given to the University if there was not an appropriation. He remarked that the legislature writ large had eagerly wanted to provide the University with deferred maintenance funding, but the governor had typically vetoed all or some of the funding. He asked if his understanding was accurate.

Mr. Steininger confirmed that in prior years there had been maintenance projects appropriated to the University by the legislature that had subsequently been vetoed by the governor. He stated in some of those years a portion of the statewide deferred maintenance had been provided to the University, but it did not occur every year.

Representative Ortiz referred to Mr. Steininger's statement that the $112 million (maintenance and operations total) on slide 4 was above the 1 percent [replacement cost value shown on slide 3] but less than the 2 to 4 percent. He asked if deferred maintenance costs would increase significantly if work was not addressed in the near-term.

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Mr. Steininger answered there had been growth in the deferred maintenance backlogs over time, especially following the period a decade back where there had been large appropriations for maintenance. During his time with OMB he had seen efforts to dispose of state assets that were no longer needed. The effort helped reduce the total replacement cost value; however, the replacement value of the existing buildings was appreciating. He highlighted that as a result as a lack of resources at a statewide level, the state was funding deferred maintenance as much as possible, but maybe not as much as it should. The strategy to address the issue included funding in addition to assessing whether all of the state's existing facilities were needed. There were a fairly large number of state buildings and deferred maintenance was a need that needed to be addressed. The funding allocated in the budget reflected the means available to address the need and the question was how to allocate the needs as best as possible to address the highest priority projects.

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Co-Chair Johnson looked at the fourth line down in the table on slide 4 pertaining to DFG vessel and aircraft deferred maintenance. She asked if DFG was the only department with vessels and aircrafts. She asked if there was DOT deferred maintenance on vehicles. She asked if it was typical to include equipment.

Mr. Steininger replied that the presentation should have also included Alaska Marine Highway System (AMHS) vessel maintenance as deferred maintenance of a significant asset. Maintenance typically referred to buildings, but the state also had some significant assets such as DFG vessels and vessels in the Department of Public Safety (DPS) in addition to AMHS vessels.

Co-Chair Johnson looked at slide 5 titled "Statewide DM Appropriation by Agency" and asked if it should include an FY 24 column.

Mr. Steininger clarified the slide pertained to prior year appropriations. He explained that the proposed FY 24 distributions would not be made until the appropriations

were made. Slide 5 showed the deferred maintenance distributions by agency beginning the first year the distributions started taking place at a statewide level in FY 18 through FY 23. Prior to FY 18 there were numerous facilities in the state that did not receive appropriations for maintenance on a consistent basis. Many of the appropriations were made for good cause including correctional facilities or a Pioneer Home, but there had been facilities such as office buildings or labs saw significant maintenance problems building up. The change had been made in FY 18 to be more inclusive of all facilities needing attention. The table showed where distributions had been made over time, including distributions to the university system.

Mr. Steininger highlighted unallocated funding in FY 23 shown on slide 5. He referenced increasing prices associated with construction including steel and lumber. The administration was anticipating projects funded in the previous two years may come back with cost overages; therefore, some reserve had been held back in FY 23 to address cost overruns.

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Co-Chair Johnson asked for verification that the distribution would come later on after there had been a determination on need.

Co-Chair Edgmon believed the legislature appropriated $250 million the previous year for school major maintenance, the University, and deferred maintenance. He estimated the amount was around $150 million excluding public schools. He looked at the FY 23 total of $27 million on slide 5. He referenced the governor's vetoes of $100 million for deferred maintenance and $50 million for the University. He asked if it had been a carrying capacity issue in terms of supply chain, workforce, and the ability to get projects done on time.

Mr. Steininger replied that the preference with the deferred maintenance distributions was to see projects that could be started immediately in order to deploy the funding and address facility maintenance needs as quickly as possible. Another portion of the veto decision was to ensure there was sufficient funding put into savings in the event of oil price decline.

Co-Chair Edgmon stated that vetoes were at the prerogative of the governor and every governor made them; however, a good portion of the governor's $400+ million vetoes came from deferred maintenance. He highlighted the importance of the deferred maintenance issue. The current total was $7 billion and growing. He considered what happened on the backend if the legislature appropriated the funding in a significant way. There was a significant issue with a lot of aged infrastructure that could go as far back as pre-statehood. He elaborated that deferred maintenance had lapsed in the 1990s when oil had been in the single digits. He thought it was important to provide the context and stated the importance of deferred maintenance but noted down the road "we may not be able to get the funding to it."

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Mr. Steininger turned to a chart on slide 6 titled "Backlog $703,493.1 (excluding University)." The backlog of $703.5 million in deferred maintenance projects included facilities under management of the Division of Facilities Services. The vast majority of the projects were under DOT in terms of dollar value (DOT had the majority of facilities under management). He highlighted that DOC and DNR also had fairly large backlogs. He pointed to a bar titled "DOT&PF PBF" showing the Public Building Fund (PBF). The PBF was separated from the main DOT bar because it primarily represented state office buildings, which were managed together under a single fund. The financing for the state office buildings was managed a bit differently related to federal rate management rules for leasing buildings back to state agencies.

JASON SAKALASKAS, DIRECTOR, FACILITIES SERVICES, DEPARTMENT OF TRANSPORTATION AND PUBLIC FACILITIES, addressed slide 7 titled "Statewide Funding Approach." The allocation process was a collaborative effort between OMB and the department. He reviewed the slide:

- OMB facilitates the collection of agency deferred maintenance lists
- State Facilities Council reviews and prioritizes deferred maintenance projects across executive branch agencies

- Facilities Council deferred maintenance workshops anticipated February through June, with goal of Statewide prioritized list to OMB June 2023
- Projects to be prioritized based on combination of significant factors including facility importance, building system, and urgency to create a *Project Index Value (PIV).

Mr. Sakalaskas discussed the DOT project ranking formula on slide 8.

- Project prioritization a combination of the below to create a Project Index Value (PIV):
  PIV= (MAI) x (System Factor) x (Need)
  - MAI-Mission Alignment Index, alignment of facility to an Agency's mission
  - System Factor -Scale related to various building systems and their impact on building
  - Need -The urgency and criticality for replacement
- If known, other attributes are also considered such as anticipated return on investments, any matching funds, or eligibility as a financed energy savings performance project

Mr. Sakalaskas elaborated the Facilities Council held multiple meetings between February and May where there were discussions on projects including return on investment, available matching funds, and eligibility as a financed energy savings performance project.

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Representative Hannan stated that DOT's maintenance building in Haines was leaking, noncompliant with electrical, could not meet snow load needs, and the breakroom was no longer useful because plumbing and sewage backed up and yet the project had not qualified as a significant project. She found the project need to be critical. She elaborated all of the equipment was stored in the space including computers that got bagged every day due to leakage and unplugged due to the electrical system problems. She shared she had been in the legislature for five years and the building had been in the same condition at the beginning of her tenure. She stated it was a small building and would not cost millions of dollars. She was fairly certain it was not unique across the state. She believed there were many small buildings across the state

that a few people worked out of that were in horrible shape. She asked how to make sure the buildings were standing, the equipment was secured, and the equipment was accessible when needed for airport maintenance, plow maintenance, troopers, and other.

Mr. Sakalaskas answered that he would follow up on the status of the project. He relayed that the project was in active design status for a replacement building. He would have to follow up to confirm whether the project was included in the capital budget. He knew it was high on the priority list and the department was working through determining what was needed to potentially replace the facility. He added it was a bit beyond a deferred maintenance need.

Representative Hannan was glad to hear the information and thought the building appeared to be condemnable.

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Mr. Sakalaskas moved to slide 9 titled "Mission Alignment Index." The index ranked the importance of a facility to the agency for completing its mission. The index ranked the critical nature of the project in addition to whether a facility was capable of delivering the needed service, how it was being utilized, and the location (to determine whether there were other facilities in the area that could deliver the need if necessary). The mission alignment index allowed the department to better look at risk management in the program and guided invest or divest decisions. He noted the rating factor was determined solely by the agency occupying the facility.

Mr. Sakalaskas turned to slide 10 and reviewed mission alignment index examples. The index was broken down into critical, important, supportive, and other/non-mission critical. He highlighted a key maintenance station, correctional center, and a school as an example of a critical ranking. An example of an important rating included office buildings and supportive or non-mission critical ratings included certain warehouses or storage buildings.

Mr. Sakalaskas moved to slide 11 titled "Systems & Needs Examples." The systems were first analyzed with a highest priority of life, health, and safety. Some of the systems

under the specific category within the facility included sprinklers, fire alarms, and structure. The department also reviewed the envelope and shell of a structure including the roof, exterior walls, and windows. Other items included in the assessment of a facility included mechanical, electrical, plumbing, interior, exterior grounds, and furnishings. The need was broken out into three categories including critical, important, and necessary. The definition of critical was life, health, safety and looking at any code hazards that may be present. Important projects included facilities that needed action within the next five years to prevent any further deterioration. Necessary projects were those that required attention to prevent any type of deterioration or downtime of a facility.

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Mr. Sakalaskas reviewed examples from the 2022 prioritization cycle on slide 12. He noted the information was an example of information provided to OMB as a prioritized list. The mission alignment index was determined by the department that owned the facility. The examples shown were classified as critical/essential buildings to deliver the service of the department. He reiterated an earlier statement that the factor was the sole determination of the agency occupying the facility, whereas the system factor and need was scored across the Facilities Council and an average was taken to obtain the project index value and ranking. He noted that the council scored more than 100 projects in the past year.

Representative Galvin referenced the storage facility in Haines (discussed by Representative Hannan earlier in the meeting). She wondered about the routine maintenance included in the budget. She wondered if routine maintenance was sufficient to help prevent slipping to the higher need of deferred maintenance. She used an example of basic maintenance like clearing snow from a roof.

Mr. Steininger responded that one of the reasons much of the deferred maintenance activity had been centralized under the Division of Facilities Services was due to disparity between different agencies in ongoing operating maintenance. He explained that during the years of budget constraint, agencies had to make decisions about what to spend money on and sometimes facilities maintenance versus ensuring a social worker was going out to see a child could

be a challenging decision to make. He relayed that generally there were one or two projects per year that could be achieved by ongoing maintenance. He stated it was a prioritization issue that had to be confronted on a fairly routine basis.

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Mr. Sakalaskas discussed deferred maintenance project implementations on slide 13.

- Typical project efforts may include planning, design and construction phases with varying durations depending on scope and intensity
- Projects offer opportunities for local and statewide design professionals and contractors through the State's procurement processes
- Typical project cost impacts may include economic markets of contracting, commodity prices, scope increases due to unknown conditions or hazardous materials.
    - Projects can come in both under or above estimates. In some cases the state has seen bids exceeding estimates by ranges of 65-113%
    - These challenges are shared within Facilities Council forums and used to help inform future projects

Mr. Sakalaskas elaborated on slide 13. The Facilities Council actively discussed the cost overruns in order to provide accurate information to OMB.

Co-Chair Edgmon stated it was a larger piece of the same puzzle with inflation and supply chain issues. He elaborated that if a project was included in the budget with the knowledge there could be a 20 percent add-on in a year or two it had to be a consideration. He stated it was a consideration for school districts that were not part of the current conversation. He highlighted an example of a maintenance project at a school in his district. One year after the project had started the district learned it would cost a quarter more than what had been budgeted. The district had come back to the state and had been unable to get the additional funding; therefore, the district had to scrounge around locally. He noted it was definitely a consideration.

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Mr. Steininger moved briefly to slide 15 titled "State-Owned Facilities Count by Agency" (including the University). He highlighted that DOT had a large number of facilities, which resulted in a much greater backlog when compared to other agencies (excluding the University). Slide 16 titled "State-Owned Facility Space by Agency" indicated that while the University had about half as many buildings as DOT, it had significantly more in square footage, which drove the deferred maintenance needs and backlog.

Representative Hannan observed that slide 15 specified the governor's office owned three facilities. She asked for detail on the facilities.

Mr. Steininger answered the facilities included the governor's house and the lieutenant governor's house. He would follow up on the third facility.

Mr. Steininger moved to slide 17 titled "State-Owned Disposed Assets." He discussed the state's efforts to dispose of assets that were no longer needed. The slide showed a list of assets disposed of over the past several years. The administration continued to look at the need for an asset and the ability to dispose of an asset if it was no longer necessary for the mission of an agency.

Co-Chair Edgmon asked if there were any Infrastructure Investment and Jobs Act (IIJA) funds specifically designated for deferred maintenance.

Mr. Steininger answered that there were none that he knew of that would specifically go to deferred maintenance on a state facility; however, there were some areas where the state may be able to leverage a program out of the infrastructure bill to do a replacement of a facility or find a way to reduce some of the backlog.

Representative Hannan observed that the square footage for DFG and the office of the governor were identical on slide 16. She suspected it was an error on the slide.

Mr. Steininger agreed it was likely an error. He would follow up.

Representative Josephson asked if the ten-year outlook ever used the more ambitious 4 percent of replacement cost value.

Mr. Steininger responded that a significant portion of the money funding deferred maintenance was designated general funds (DGF) and the ten-year outlook generally only looked at UGF. The outlook included inflation of 1.5 percent per year, which would apply to some of the operating maintenance. He stated the outlook did not reach the 4 percent level; it was a more constrained level the state could afford.

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Representative Josephson looked at the total of $112 million in maintenance funding including $77 million in maintenance and operations on slide 4. He remarked it sounded like an annual event. He asked if Mr. Steininger could make an argument that the $77 million was just like the other $35 million. He stated they struck him as different from each other.

Mr. Steininger answered the money in the operating budget for maintenance and operations was different from deferred maintenance. He elaborated that deferred maintenance were things that the state should have ideally been able to accommodate within the preventative maintenance and operations budget in the operating budget but could not due to a lack of resources. The two expenditures were different, but the lack of one drove the other.

Co-Chair Edgmon thanked Mr. Steininger and Mr. Sakalaskas for the presentation.

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AT EASE

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RECONVENED

SARA PERMAN, STATE RELATIONS MANAGER, UNIVERSITY OF ALASKA, provided a PowerPoint presentation titled "University of Alaska: Empower Alaska: Capital Budget Overview," dated February 2023 (copy on file). She represented the entire University of Alaska system. She described her role as

similar to a legislative liaison for the University. She listed individuals available online.

Ms. Perman discussed detail about the University facilities on slide 2:

UA Facility Profile

- Serve academic, research, and community service mission
- Facility type varies from residential housing, general offices, and classrooms to complex laboratories
- 394 facilities, spanning 7.9 million square feet, average age is 35 years
- $4.9 billion inflation adjusted value and $1.5 billion backlog of deferred maintenance and renewal projects

Ms. Perman elaborated on slide 2. The University accounted for 394 of the state's 2,400 facilities. The facilities totaled 7.9 million square feet or two times any other agency. She looked at the last bullet point and noted the University was above and beyond the percentage of replacement value discussed by Mr. Steininger. The University received fairly consistent funding of approximately $50 million per year through FY 13, which had helped to maintain and flatline its deferred maintenance backlog; however, declining maintenance budgets over the past several years had caused the total to skyrocket up to $1.5 billion. She reviewed efforts the University was making to mitigate the situation on slide 2:

UA Facility Stewardship

- Leverage shrinking maintenance operations budgets to lengthen the service life of buildings beyond the typical age for major renewal, focusing on renovation and renewal where viable

- Decrease overall footprint, through efforts to move from leased to owned facilities and sell or demolish underutilized facilities

Ms. Perman continued to review slide 2:

UA Facility Funding

- Due to the lack of sufficient maintenance funding UA's backlog of projects continues to grow

- There have been numerous unplanned closures causing significant hardship on student learning and research activities, as well as the associated lost productivity of university students, faculty/researchers, and staff

- Within a couple of years, UA can plan and execute $35 --$50 million a year on deferred maintenance, renewal and repurposing projects

Ms. Perman elaborated that there had been unplanned closures at times, which directly translated to students, academic halls, administrative buildings, and residence halls. She stated that without serious attention it could be presumed the situation would continue. She highlighted that facility types included residential housing, academic buildings (i.e., classes, laboratories, administrative offices, and career and technical centers).

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Ms. Perman turned to a chart on slide 3 titled "Capital Budget DM/R&R Funding History Unrestricted General Funds & Backlog." The flat green line on the chart reflected the University's historical average funding request for deferred maintenance. The red line reflected the backlog beginning with FY 07 through FY 23, showing an upward trajectory beginning in FY 15. She highlighted that the increase coincided with decreasing state appropriations shown in dark blue bars. The University had been receiving approximately $50 million per year for a significant period of time; as the numbers decreased, the backlog increased from $800 million to $1.5 billion.

Ms. Perman referred to an earlier question about missed opportunity by not funding maintenance needs right away. She answered that consistent funding of deferred maintenance had helped the University flatline. She stated it would take about $50 million per year to get back to flatlining and potentially decreasing the backlog (knowing the University was selling off some of its facilities). She

stated that without the funding, the backlog would continue to rise.

Representative Josephson looked at the last bullet point on slide 2. He stated that one way to interpret the information was that the University would internally have the resources on its own to dedicate $35 million to $50 million per year. He asked for verification that was not the intended message.

Ms. Perman deferred the question to a colleague.

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ALESIA KRUCKENBERG, DIRECTOR OF STRATEGY, PLANNING AND BUDGET, UNIVERSITY OF ALASKA (via teleconference), clarified that if the University received state funding it could deploy $35 million to $50 million within the next several years. She explained the University did not currently have the employees to deploy that amount.

Representative Stapp considered the deferred maintenance funding history [slide 3] and remarked that inconsistency appropriations was not the best way to resolve the problem. He wondered why the state appropriations were inconsistent as far back as FY 07.

Ms. Kruckenberg replied that she could not answer the question specifically. There had been periods of time where the legislature and the governor had been more generous with deferred maintenance funding for the University and other state agencies. She suspected it had more to do with the overall finances of the state.

Representative Stapp stated the previous presenters had a methodology to rank deferred maintenance projects. He asked if the University had a similar system.

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Ms. Perman answered it was her understanding that the individual universities forwarded their priority projects to the University's Office of Strategy, Planning, and Budget. The office worked with University President Pat Pitney to create the priority list, which was then forwarded to the board of directors for review and feedback

to compile a final request for the legislature. She asked Ms. Kruckenberg to elaborate.

Ms. Kruckenberg agreed. She expounded that each university had a robust process where the chancellor compiled a list of their priority projects. The lists were brought to the system office where they were prioritized across the university system as a whole.

Co-Chair Johnson referenced a list of deferred maintenance items in members' packets [titled "University of Alaska FY 24 Priority Deferred Maintenance and Renewal and Repurposing"] (copy on file). She asked if the projects were in order of priority.

Ms. Perman replied affirmatively. She moved to slide 4 titled "FY 24 Capital Budget Summary." She relayed that separate from the current presentation, committee members had received a book complied by the University called the Red Book, which included information and detail on the University's operating and capital budgets including deferred maintenance. The book included the deferred maintenance prioritization list. The priority list had been put together with the feedback and guidance of the Board of Regents. The top priority was $17.5 million for the University of Alaska Anchorage (UAA) for four buildings including the Wendy Williamson Auditorium, the professional sciences building, the social sciences building, and the Consortium Library for heating systems and electrical safety upgrades. The other two priorities included facility modernization for Washington, Wyoming, Alaska, Montana, and Idaho (WWAMI) capacity expansion and an additional $54.8 million in deferred maintenance across the entire university system.

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Ms. Perman turned to slide 5 and provided additional detail on the University's highest priority capital projects. She discussed the $17.5 million request for UAA in more depth. The project would replace boilers, fin tubes, water piping in various buildings, and the HVAC system in the central core of the Consortium Library. The items were beyond useful life and had a high risk of failure. The other three items were capital projects but not deferred maintenance. There was $2 million for WWAMI renovations. Additionally, there was an increment for $6 million in federal receipts

for an Alaska Leaders Archive renovation and $2.5 million in federal receipts for the Fairbanks North Star Borough for childcare facilities at a University of Alaska Fairbanks (UAF) building.

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Ms. Perman advanced to slide 6 titled "UA Deferred Maintenance Projects." In addition to the $17.5 million request for UAA, another priority deferred maintenance project was $3.6 million for the University of Alaska Southeast (UAS) for the Technical Education Center by Harris Harbor, the Sitka Hangar, and the Alaska Maritime Training Center in Ketchikan. She elaborated that the three buildings were in desperate need of roof replacements. The slide also included $11.3 million for work on the UAF Patty Pool including refinishing surfaces, electrical, repairing the pool vessel, bleachers, lighting, and safety compliance. The increment would also pay for the replacement of 23 fire alarm systems and various other electrical safety components throughout UAF.

Ms. Perman relayed that slide 7 pertained to facility modernization and not deferred maintenance. She asked if Co-Chair Edgmon would like her to review the slide.

Co-Chair Edgmon agreed.

Ms. Perman reviewed slide 7 titled "UA Facility Modernization." The modernizations came from a perspective of trying to increase student enrollment at the UA campuses and increase and boost the workforce. She reviewed the items on the slide:

- $8 million UAA Health Workforce Diversity Expansion and Library Learning Commons renovate Sally Monserud Hall for critical health workforce training and relocates the learning commons into the UAA/APU Consortium Library.

- $12.5 million UAF Lola Tilly modernized to create a more welcoming, centralized area for student affairs and public facing functions.

- $1 million UAS Natural Sciences relocate laboratory programs from the Natural Science Research Lab building to the Anderson Building, bringing all of our

Natural Sciences students, faculty, and staff into one area for better continuity, economy, and synergy.

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Representative Hannan asked if the UA workforce Sally Monserud Hall was the same facility that the WWAMI lab was being built into for $2 million. She asked if the building in total needed $10 million to modernize for other critical health needs like training labs for nurses.

Ms. Perman confirmed that the Sally Monserud Hall had been identified from the College of Health as the primary hub for all medical related training. The building included three different labs and associated simulation rooms for the WWAMI program and an additional three facilities for nurses including simulation and debriefing rooms. She believed it was the intent to designate the west campus as the College of Health hub the east campus would be the academia hub. The project would relocate the student commons from the Sally Monserud Hall to the Consortium Library. The funding was $2 million UGF for WWAMI and $5.75 million for nursing. The additional $2.25 million was in DGF funds. The total was just under $8 million UGF.

Representative Hannan asked if the $8 million included the $2 million for WWAMI.

Ms. Perman answered that the $8 million was separate from the $2 million for WWAMI.

Representative Hannan asked if the increment for UAS natural sciences pertained to moving people out of the old National Oceanic and Atmospheric Administration (NOAA) facility in Juneau. She elaborated that when NOAA had built the Ted Stevens facility in another location, UAS had acquired the antiquated NOAA lab location.

Ms. Perman deferred to a colleague.

NATHAN LEIGH, DIRECTOR, FACILITIES SERVICES, UNIVERSITY OF ALASKA SOUTHEAST (via teleconference), replied that the old NOAA building had been torn down a couple of years back. A new building was under construction in the same location as it was cheaper than restoring the old facility. The $1 million increment would help move one lab out of the old Natural Science Research Lab (NSRL) building near the city

bus barn (the old Department of Environmental Conservation building). The lab would move to the old scuba locker in the Anderson Building, which was located next to the building currently under construction. The lab was highly technical and required special ventilation, which was already available in the Anderson Building. He explained that moving the lab to the Anderson Building saved money because it meant the new building would need an upgraded ventilation system. He elaborated that most of the money would go towards building a parking lot for the NSRL building. The desire was to get rid of the old NSRL building to reduce its square footage to help with operations and maintenance and UAS's deferred backlog.

2:50:58 PM

Representative Hannan understood the explanation. She thanked Mr. Leigh.

Representative Stapp referenced the UAA heating project for facilities built in the 1970s to avoid a catastrophic failure [slide 5]. He stated that in Fairbanks all of the catastrophic failures always seemed to be at 4:00 a.m. on a Saturday. He provided a hypothetical scenario of a catastrophic failure during the fall semester finals week at the four facilities housing the most students. He asked for detail about the critical nature of the project.

Ms. Perman deferred to a colleague.

CHRISTOPHER MCCONNELL, DIRECTOR, FACILITIES, PLANNING, AND CONSTRUCTION, UNIVERSITY OF ALASKA ANCHORAGE (via teleconference), replied the facilities were critical and supported multiple programs across the UAA campus. The Professional Studies Building (PSB) and Wendy Williamson Auditorium were integrated. The PSB supported many College of Health programs including the dean's office, behavioral health programs, human performance labs, and other. The buildings were currently at risk of system failures. He added that system failures occurred on a recurring basis. Currently, UAA was tracking close to $2 million to $3 million in unplanned failures per year. He would follow up with the precise figures. The University worked to triage the issues as best as possible.

Mr. McConnell provided examples of system failures in recent years including broken sprinkler systems, elevators,

a fire in an electrical room, and other. The issues were becoming more frequent particularly with older facilities; however, as the newer systems aged, the items would stack up. He highlighted that the University was trying to be creative in the way it advocated for the projects. He noted the specific UAA project had been presented to the legislature in the past. He explained that the University tried to couple the requests with high return on investment (ROI) investments. For example, the project included lighting and mechanical upgrades to reduce operating costs and promote capital cost avoidance. There was an estimated savings of $300,000 per year if the project was completed. He confirmed the campus was at risk of having the midnight, midsemester, midwinter call and having to strategize around how to quickly respond. The University continued to look at contingency planning pertaining to the possibility of system failures.

2:55:22 PM

Representative Josephson thought the legislature needed to find a way to support the university and strategize on how to convince the administration to accept the appropriations.

Representative Galvin referenced Mr. McConnell's testimony there had been annual emergencies costing $2 million to $3 million per year. She looked at the $17.5 million increment and asked for the overall cost over time associated with the past emergencies. She was interested in the information as part of a strategy to secure the funding in the budget.

2:57:27 PM

Co-Chair Edgmon wondered if they were crossing over from deferred maintenance to modernization to an outright capital project request. He agreed the topic should come before the committee at some point.

Ms. Perman thanked the committee members for highlighting their concerns.

Representative Josephson requested to hear from the University on its salary negotiations with professors at some point.

Co-Chair Johnson stated they were still working on the schedule, but she would keep the request in mind.

Co-Chair Edgmon thanked the presenters and reviewed the schedule for the following day.

#
ADJOURNMENT

3:00:18 PM

The meeting was adjourned at 3:00 p.m.