

HOUSE FINANCE COMMITTEE
May 9, 2005
11:07 p.m.

CALL TO ORDER

Co-Chair Meyer called the House Finance Committee meeting to order at [11:07:55 PM](#).

MEMBERS PRESENT

Representative Mike Chenault, Co-Chair
Representative Kevin Meyer, Co-Chair
Representative Bill Stoltze, Vice-Chair
Representative Eric Croft
Representative Richard Foster
Representative Mike Hawker
Representative Jim Holm
Representative Reggie Joule
Representative Mike Kelly
Representative Carl Moses
Representative Bruce Weyhrauch

MEMBERS ABSENT

Dr. Richard Mandsager, Director, Division of Public Health, Department of Health and Social Services; Devon Mitchell, Executive Director, Alaska Municipal Bond Bank Authority, Department of Revenue;

ALSO PRESENT

PRESENT VIA TELECONFERENCE

SUMMARY

CS SB 73(FIN) am

An Act relating to a lease-purchase agreement for the construction, equipping, and financing of a state virology laboratory in Fairbanks to be operated by the Department of Health and Social Services; relating to the issuance of certificates of participation for the laboratory; relating to the use of certain investment income for certain construction and equipment costs for the laboratory; and providing for an effective date.

CS SB 73 (FIN) am was reported out of Committee with a " recommendation and with fiscal notes by the

CS FOR SENATE BILL NO. 73(FIN) am

An Act relating to a lease-purchase agreement for the construction, equipping, and financing of a state virology laboratory in Fairbanks to be operated by the Department of Health and Social Services; relating to the issuance of certificates of participation for the laboratory; relating to the use of certain investment income for certain construction and equipment costs for the laboratory; and providing for an effective date.

DR. RICHARD MANDSAGER, DIRECTOR, DIVISION OF PUBLIC HEALTH, DEPARTMENT OF HEALTH AND SOCIAL SERVICES, spoke in support of the legislation. He explained that the Governor introduced the legislation in order to build a virology laboratory in Fairbanks. The laboratory is part of the public health system for the state. It is currently housed in part of an old building on the University of Alaska Fairbanks campus. He recounted occurrences, which required quick analysis of laboratory samples, such as during Iditarod Norovirus outbreak and a measles outbreak in Juneau. He emphasized the importance of early diagnosis of infectious diseases. The Senate has proposed that the replacement come as a capital project.

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Representative Stoltze noted that the originally legislation mentioned land from the University of Alaska. Dr. Mandsager explained that the initial bill provided that land would be available from the University of Fairbanks for lease at no cost. The legislation was broadened to allow the project to occur somewhere else in Fairbanks if it is funded. The intent is still to obtain land for lease at no cost.

Representative Stoltze questioned the location. Dr. Mandsager noted that the department had previously recommended Anchorage. The Public Health laboratory was built in Anchorage with additional space, but since 911 the extra space in Anchorage has been taken for prevention efforts.

In response to a question by Representative Stoltze, Mr. Mandsager explained that Fairbanks was recommended due to

the close proximity to the University of Alaska, Fairbanks. The laboratory would add capacity as a basic safety laboratory level three facility that can be dual used by the department and the university. He added that the virological staff would be hard to replace [if it were moved from Fairbanks] and noted that earthquake threat and other disaster response would be spread between two cities. Discussions occurred with the university and the department, which resulted in the recommendation of Fairbanks.

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DEVON MITCHELL, EXECUTIVE DIRECTOR, ALASKA MUNICIPAL BOND BANK AUTHORITY, DEPARTMENT OF REVENUE, explained that the project would be financed through a certificate of participation, which would create a lease by giving a trustee bank the title interest of the facility. The department would enter into a lease agreement with the trustee bank. The lease revenue stream becomes the security and the certificate of participation is in the lease. They are looking at a 15-year-term rate, with a 4.9 percent interest schedule (which is 80 - 90 basis points over current market) and annual debt in the \$2.3 - \$2.4 million dollar range. Other facilities have been funded by the same funding mechanism such as: the Department of Environmental Conservation Seafood, Food Safety laboratory, the Department of Health and Social Services laboratory in Anchorage, and a number of courthouses and prisons. It would have an impact on the state of Alaska's general fund, but he did not think it would adversely impact the state's credit rating.

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Mr. Mitchell spoke to the interest rate. He acknowledged that the interest rate in the legislation is "perhaps" at a more optimistic level than that put forth with GARVEE bonds. The are mitigating factors, which resulted in a more awkward certification of participation with the GARVVEE bonds.

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Representative Stoltze observed that the Governor's assumption was for a long-term lease at no cost.

Mr. Mitchell suggested that the Administration is still looking at land owned by the state of Alaska. He did not

know what development costs would be associated with another site. He acknowledged that there could be unforeseen obstacles.

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Representative Weyhrauch asked if there had been a cost benefit analysis of building a laboratory, as opposed to gold streaking samples. Dr. Mandsager noted that they had not done a cost analysis. He noted that samples from the southeast area of the state would not pose a problem, but that samples from the central region and other areas would have considerable amount of time added. He cautioned that the length of time it takes to get samples tested could become important in relationship to bird flu (if it is every transmitted to humans). He spoke in support of instate services.

Mr. Mandsager observed that the types of tests that are done at the laboratory are not done at hospitals in the state. Influenza testing is done at public health laboratories. Time is at issue and delays could create problems. Tests for rabies occur once every couple of weeks.

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In response to a question by Representative Chenault, Dr Mandsager emphasized "they are building what is necessary and no more". The proposed size is smaller than some of the program people have argued for. Professionals from other states, which looked at the state of Alaska's test volume and capacity, felt that the proposed laboratory would be the minimum size to meet the state's needs. He thought it was a "Chevy" [not a "Cadillac"].

Representative Chenault referred to page 2, of the handout. He noted that 36,267 specimens were tested in FY04.

[11:26:28 PM](#)

Representative Holms MOVED to report CSSB 73 (FIN) am out of Committee with the accompanying fiscal note.

ADJOURNMENT

The meeting was adjourned at 11:28 PM