

**ALASKA STATE LEGISLATURE**  
**HOUSE HEALTH, EDUCATION AND SOCIAL SERVICES STANDING COMMITTEE**

March 1, 2005

3:38 p.m.

**MEMBERS PRESENT**

Representative Peggy Wilson, Chair  
Representative Paul Seaton, Vice Chair  
Representative Vic Kohring  
Representative Sharon Cissna  
Representative Berta Gardner

**MEMBERS ABSENT**

Representative Tom Anderson  
Representative Lesil McGuire

**COMMITTEE CALENDAR**

HOUSE BILL NO. 100

"An Act relating to a lease-purchase agreement for the construction, equipping, and financing of a state virology laboratory in Fairbanks, on land provided by the University of Alaska, 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."

- MOVED CSHB 100(STA) OUT OF COMMITTEE

HOUSE BILL NO. 151

"An Act relating to provider responsibility for ocular postoperative care; and providing for an effective date."

- SCHEDULED BUT NOT HEARD

**PREVIOUS COMMITTEE ACTION**

BILL: HB 100

SHORT TITLE: STATE VIROLOGY LABORATORY

SPONSOR(S): RULES BY REQUEST OF THE GOVERNOR

01/21/05	(H)	READ THE FIRST TIME - REFERRALS
01/21/05	(H)	STA, HES, FIN
02/22/05	(H)	STA AT 8:00 AM CAPITOL 106

02/22/05 (H) Moved CSHB 100(STA) Out of Committee  
02/22/05 (H) MINUTE(STA)  
02/23/05 (H) STA RPT CS(STA) NT 2DP 3NR  
02/23/05 (H) DP: GARDNER, SEATON;  
02/23/05 (H) NR: LYNN, GRUENBERG, RAMRAS  
03/01/05 (H) HES AT 3:00 PM CAPITOL 106

BILL: HB 151

SHORT TITLE: RESPONSIBILITY FOR CARE AFTER EYE SURGERY

SPONSOR(S): LABOR & COMMERCE BY REQUEST

02/14/05 (H) READ THE FIRST TIME - REFERRALS  
02/14/05 (H) HES, L&C  
03/01/05 (H) HES AT 3:00 PM CAPITOL 106

**WITNESS REGISTER**

RICHARD MANDSAGER, M.D., Director  
Division of Public Health  
Alaska Department of Health and Social Services  
Fairbanks, Alaska

POSITION STATEMENT: Testified in support of HB 100.

DEVEN MITCHELL, Debt Manager  
Treasury Division  
Department of Revenue  
Juneau, Alaska

POSITION STATEMENT: Offered information on the financing of HB 100.

**ACTION NARRATIVE**

**CHAIR PEGGY WILSON** called the House Health, Education and Social Services Standing Committee meeting to order at [3:38:46 PM](#). Representatives Wilson, Cissna, and Gardner were present at the call to order. Representatives Seaton and Kohring arrived as the meeting was in progress.

HB 100-STATE VIROLOGY LABORATORY

[3:39:59 PM](#)

CHAIR WILSON announced that the first order of business would be HOUSE BILL NO. 100 "An Act relating to a lease-purchase agreement for the construction, equipping, and financing of a state virology laboratory in Fairbanks, on land provided by the University of Alaska, 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." [Before the committee is CSHB 100(STA).]

[3:40:07 PM](#)

RICHARD MANDSAGER, M.D., Director, Division of Public Health, Alaska Department of Health and Social Services, offered a handout detailing HB 100, which proposes the construction of the state public health virology lab in Fairbanks. The second page of the handout was entitled, "The Alaska State Virology Laboratory," which defines the word virology as providing specialized testing services for the purpose of diagnosing human and animal viral infections, such as influenza, rabies, hepatitis A, B, and C, human immunodeficiency virus (HIV), severe acute respiratory syndrome (SARS), West Nile Virus, Norovirus, measles, mumps, and rubella.

DR. MANDSAGER related that rabies testing has been important in Alaska for many decades. He related that after the animal has been "put down," the head is sent to the Fairbanks lab where the brain tissue is tested to identify if rabies is, in fact, present.

[3:41:36 PM](#)

DR. MANDSAGER, in response to Chair Wilson, related that there are often cases of animal rabies in Alaska, however, there hasn't been a case of human rabies for 20 - 30 years. He added that currently one of the Alaskan villages has an animal quarantine in place because of rabies in the community.

[3:42:13 PM](#)

DR. MANDSAGER said that Alaska and Hawaii are the only states in the country that don't have a case of West Nile Virus. However, the testing for the virus is in place and birds have been evaluated for the virus over the last couple of summers, he relayed. He emphasized that preparedness is important to ensure protection from of the "fly away" birds migrating north. The Centers for Disease Control and Prevention (CDC) and research scientists develop the tests for new viruses, such as SARS, after which the sentinel laboratories are the first to implement the tests. The Fairbanks sentinel laboratory is 1 of 23 in the

U.S., he noted. The reason Alaska needs to be prepared is due to the population of "fly away" birds from Southeast Asia, and the "trans pacific" air cargo shipped into the state. He said that flu disease, more commonly called influenza, typically starts in Southeast Asia and then proceeds to move around the world. Therefore, the flu vaccines are developed against viruses that currently exist in Southeast Asia. He noted that currently one [strand of influenza] has arrived in California from Southeast Asia.

[3:43:57 PM](#)

REPRESENTATIVE CISSNA asked how long have the majority of viruses been coming from Southeast Asia and exactly how are they transported.

DR. MANDSAGER replied that he does not know that answer. He relayed that in Southeast Asia there is a greater population of animals and humans living in closer proximity to one another, thus, it enhances the likelihood of [viruses] jumping from animals to humans. In addition, there is a natural transition of disease [from human to human] transmitted through transportation modes, such as planes, he added.

[3:44:48 PM](#)

DR. MANDSAGER turned to the next page entitled, "Current Fairbanks Virology Laboratory," which shows a picture of the current space of about 5,000 square feet. The laboratory has been located on the University of Alaska Fairbanks (UAF) campus for quite some time and has many problems, including the following: space limitations, inadequate lighting and ventilation, and fails to meet laboratory building standards. The laboratory received an evaluation from the Association of Public Health Laboratories stating that it is "an accident waiting to happen."

[3:45:31 PM](#)

DR. MANDSAGER, in response to Chair Wilson, replied that the laboratory does have proper ventilation hoods. However, he added that the laboratory director would say that [the laboratory staff] perform biosafety laboratory III techniques, in a biosafety level II facility. He said that the fact that the staff has never contracted influenza is a indicator that their techniques are good despite their working conditions.

[3:46:09 PM](#)

DR. MANDSAGER turned to page 4 entitled, "Proposed Virology Laboratory Solution," which details the reason the facility should be rebuilt in Fairbanks. He said one reason is because it's important for the state's capacity for rapid identification of known and new virus identification. One recommendation from the Association of Public Health Laboratories evaluation was to provide redundant and surge capacity for another laboratory in the event of a natural disaster.

[3:47:01 PM](#)

DR. MANDSAGER, in response to Representative Gardner, clarified that the Anchorage facility is not a virology laboratory. He explained that the state's public health laboratory system has three laboratories, of which two are for the Division of Public Health and the other for the Division of Environmental Health under the Department of Environmental Conservation (DEC). The Division of Environmental Health administers the Food and Animal Safety Laboratory that is being relocated to Anchorage. In response to Chair Wilson, he reiterated that the laboratory was administered by the DEC, which administers shellfish testing, food safety, and dead animal identification. The Division of Public Health Laboratory in Anchorage is a bacteriology and chemical lab, and its expansion capacity has been utilized with "mission expansion" chemicals as part of the country's biological preparedness. He related that after [the terrorist attacks of September 11, 2001] "mission expansion" was a national effort to identify chemical toxins. The third laboratory is the virology laboratory in Fairbanks.

[3:48:45 PM](#)

REPRESENTATIVE GARDNER asked if, in the event of a catastrophe, the Anchorage laboratory would be the back-up facility.

[3:48:56 PM](#)

DR. MANDSAGER answered that, in the event that the facility was lost, certain functions of the laboratory in Anchorage would be stopped, to facilitate the equipment and staff of the Fairbanks laboratory and prioritize the most important virology testing.

[3:49:26 PM](#)

DR. MANDSAGER, in response to Representative Gardner, related that the Fairbanks laboratory would better serve the state. He explained that a laboratory in Fairbanks would provide redundancy in the case of a natural disaster or terrorist attack and allow retention of its experienced staff who would be difficult to replace. Furthermore, UAF is building its human biology and genetics mission for which the students could benefit from a biosafety level III laboratory for research work.

[3:50:46 PM](#)

CHAIR WILSON alluded to the design of the building and its accommodations.

DR. MANDSAGER directed attention to the last page entitled "Proposed Site of State Virology Lab," which shows where the building will be built. The building will be an addition to the biological research and diagnostics facility, which is currently under construction on the UAF campus, he added. During the time of the federal grant, the details of the facility usage will be worked out between the state and UAF. He related that the University of IOWA and IOWA State University have a laboratory that share functions, from which both organizations benefit.

CHAIR WILSON commented that she has visited the laboratory in IOWA and it does function well.

DR. MANDSAGER, for clarification purposes, said that the state is proposing a similar relationship.

[3:52:11 PM](#)

DR. MANDSAGER turned to page 5 entitled, "Construction of a State Public Health Virology Laboratory in Fairbanks," which details the cost of the laboratory that will be financed by certificates of participation (COPs). The long-term land lease through UAF, if HB 100 is funded this session, will make the land available to the department at no cost for thirty years with two ten-year options, he noted.

[3:52:50 PM](#)

DR. MANDSAGER, in response to Representative Cissna, clarified that the construction for biological research and diagnostics facility will be a UAF facility. However, in further response to Representative Cissna, he said the facility would be a collaborative effort [between the state and UAF].

[3:53:31 PM](#)

CHAIR WILSON asked if the loan is a 15 year loan.

DR. MANDSAGER said "that's correct."

[3:53:50 PM](#)

CHAIR WILSON asked how the loan service would work and whether it would come from the general fund or someplace else.

DEVEN MITCHELL, Debt Manager, Treasury Division, Department of Revenue, replied that the funding to pay the debt service would come from the general fund.

[3:54:31 PM](#)

MR. MITCHELL, in response to Chair Wilson, said she was "correct," the state would build the facility and share it with UAF. There will be a lease involved to facilitate the borrowing of the funds and the COPs will ensure participation in that lease. The planned lease has a \$500,000 interest with a trustee bank that will have a title interest in the facility. He added that the COP is a mechanism that allows the general fund to pay on the lease, which in turn goes to the trustee who disseminates through the Depository Trust Company (DTC) to people who purchase the COPs as investments.

[3:55:37 PM](#)

MR. MITCHELL, in response to Chair Wilson, relayed that the \$2.3 million cost was a projection based on the current 4.9 percent interest rate reported in the fiscal notes. The current interest rates are actually lower, but a conservative estimate is necessary to account for future negative impacts or negative market movements. The U.S. Department of Transportation (DOT) would manage the construction of the facility, and according to discussions between DOT and the Department of Revenue, the bonds would be issued in the latter half of 2005. Therefore, incremental debt service would occur in 2007.

[3:56:28 PM](#)

MR. MITCHELL, in response to Chair Wilson, stated that the state is not leasing the facilities, however, there is a ground lease. Since UAF is a land grant university it doesn't have the ability

to segregate pieces of land. However, the university has an arrangement with initial term of lease and optional renewals, he added.

DR. MANDSAGER added that the land will be of no cost to the state but there will be a maintenance and operations agreement of an estimated \$200,000 per year. The financing lease will be a 15 year agreement, after which there will be an operational agreement of an estimated increase of \$200,000, over the present agreement with UAF, he noted.

[3:57:51 PM](#)

DR. MANDSAGER, in response to Chair Wilson, said that the state knows the approximate amount that UAF will charge for the operations of the facility, which is in the fiscal note. In further response to Chair Wilson, he related that the increased cost, over the present cost, is about \$200,000 per year. In further response to Chair Wilson, Dr. Mandsager related that currently the laboratory is approximately 5,000 square feet, while the usable square footage of the new building will be over 11,000 square feet, which means additional costs in terms of basic utilities, such as heat.

[3:59:00 PM](#)

CHAIR WILSON asked about the difference between the new and old building maintenance and operation costs.

[3:59:08 PM](#)

DR. MANDSAGER replied that the current building costs about \$150,000 per year, and the new building will have an additional cost of \$200,000 on top of that. In further response to Chair Wilson, he assured the committee that the maintenance and operation cost is reasonable.

[3:59:44 PM](#)

DR. MANDSAGER, in response to Representative Gardner, said that the plan is to build a state of the art virology laboratory.

[4:00:25 PM](#)

REPRESENTATIVE CISSNA asked if the COP is the same mechanism used to build the Alaska Psychiatric Institute (API).

MR. MITCHELL replied that the COP structure is a "nice fit for stand-alone facilities," where the need for a building doesn't lend itself to the general obligation type bonds. Recently, the COPs have been used for the DEC Seafood and Food Safety Laboratory, API, and the DHSS laboratory in Anchorage.

[4:01:47 PM](#)

CHAIR WILSON asked about the state's commitment to fulfilling the debt obligation from the aforementioned projects.

[4:01:55 PM](#)

MR. MITCHELL replied that the outstanding obligations for the DHSS lab were issued January of 1998. Those had a 10-year obligation and were recently refinanced. In further response to Chair Wilson, he related that the state received a lower interest on the DHSS laboratory for which the final maturity will be in January 2008. The DEC laboratory was issued in August 2003, which has a 15-year obligation, and its final maturity won't be until 2018. Some of the older projects issued with COPs are the Spring Creek Correctional Facility, the Soldotna Maintenance Facility, various state courthouses, and the Department of Natural Resources (DNR) facility in Palmer, he added.

[4:03:28 PM](#)

MR. MITCHELL, in response to Chair Wilson, related that if HB 100 should pass, it will grant the authority for the state to issue COPs. However, next year the legislature will have to approve the budget to fund that service in 2007, he added.

The committee took an at-ease from [4:04:11 PM](#) to [4:05:50 PM](#).

[4:06:00 PM](#)

REPRESENTATIVE GARDNER moved to report CSHB 100(STA) out of committee with individual recommendations and the accompanying fiscal notes. There being no objection, it was so ordered.

#### **ADJOURNMENT**

There being no further business before the committee, the House Health, Education and Social Services Standing Committee meeting was adjourned at [4:07:42 PM](#).