

**ALASKA STATE LEGISLATURE**  
**SENATE STATE AFFAIRS STANDING COMMITTEE**

January 24, 2008

9:05 a.m.

**MEMBERS PRESENT**

Senator Lesil McGuire, Chair  
Senator Hollis French  
Senator Lyda Green  
Senator Con Bunde

**MEMBERS ABSENT**

Senator Gary Stevens, Vice Chair

**COMMITTEE CALENDAR**

SENATE BILL NO. 223

"An Act providing for and relating to the issuance of general obligation bonds for the purpose of paying the cost of a scientific crime detection laboratory; and providing for an effective date."

HEARD AND HELD

HOUSE BILL NO. 101

"An Act relating to uniform traffic laws."

SCHEDULED BUT NOT HEARD

**PREVIOUS COMMITTEE ACTION**

BILL: SB 223

SHORT TITLE: G.O. BONDS FOR CRIME LAB

SPONSOR(S): RULES BY REQUEST OF THE GOVERNOR

01/16/08	(S)	READ THE FIRST TIME - REFERRALS
01/16/08	(S)	STA, FIN
01/24/08	(S)	STA AT 9:00 AM BELTZ 211

**WITNESS REGISTER**

JOHN GLASS, Deputy Commissioner  
Department of Public Safety  
Anchorage, AK

**POSITION STATEMENT:** Advocated for a new crime lab via SB 223.

JAMES M. (MATT) TANAKA, Crime Lab Project Manager

Alaska Department of Transportation and Public Facilities  
Anchorage, AK

**POSITION STATEMENT:** Answered questions about SB 223.

BRIAN ANDREWS, Deputy Commissioner  
Department of Revenue (DOR)  
Juneau, AK

**POSITION STATEMENT:** Answered finance questions about SB 223.

DEVON MITCHELL, Debt Manager  
Department of Revenue (DOR)  
Juneau, AK

**POSITION STATEMENT:** Answered finance questions about SB 223.

#### **ACTION NARRATIVE**

**CHAIR LESIL MCGUIRE** called the Senate State Affairs Standing Committee meeting to order at [9:05:25 AM](#). Senators Green, French, Bunde, and McGuire were present at the call to order.

#### **SB 223-G.O. BONDS FOR CRIME LAB**

CHAIR MCGUIRE announced the consideration of SB 223.

[9:06:07 AM](#)

JOHN GLASS, Deputy Commissioner, Department of Public Safety, Anchorage, said Alaska's current crime lab was built in 1986 for 6 scientists and support staff. Currently there are 41 workers. The lab is compressed and woefully lacking in room for scientists and for storage. In 2006, the legislature provided \$4.9 million to study a new location, and a 15.3-acre plot was found on Tudor Road in Anchorage. Contract negotiations for that acreage are ongoing. The bill calls for an 83,000-square-foot building. Only 50,000 square feet is needed today, but Mr. Glass wants a building that can last 40 years and is able to house whatever future science the state needs.

MR. GLASS said the lab is designed to allow future expansion. The current crime lab cannot be expanded and is inadequate for modern forensic tests. The lab services all municipalities in Alaska and the state troopers. He showed photos of it.

[9:11:44 AM](#)

MR. GLASS said the lab's freezers came from a surplus sale. The lab receives about 1,000 DNA samples per month. There is a garage for processing large items like vehicles, but it is full

of other things. There are five DNA analysts. He pointed out that contamination is a key issue.

9:14:31 AM

SENATOR BUNDE said a colleague told him that it would be more economical to expand the current lab.

MR. GLASS said the present foot print of the lab does not allow for expansion. The ventilation system is inadequate for the tests the lab is doing. The building is hot, and noxious fumes are a hazard. It is a secure facility so the windows cannot be opened. He showed a map and design of the new location.

9:16:57 AM

SENATOR FRENCH asked where the new lab will be built and what the plan is for the old building.

MR. GLASS said the new lab will be near the Anchorage Police Department and across from the Alaska Native Hospital. The department would like to turn the old lab into office space. The Tudor Road headquarters needs space. He wants to put the ABC board, sexual offender registration, "I.T. people," and one investigative group in the old lab. There will be an increase in foot traffic because of the new sexual offender law. It is a secure building, so it will be suitable for that.

9:18:54 AM

SENATOR FRENCH said the current needs are for 50,000 square feet, and the building will be 83,000 square feet. He expressed concern that \$100 million is a lot of money, even though he wants the state to have every resource it needs to fight crime. His high school needs help; other entities need money. He asked what the plan is for the extra space.

MR. GLASS said he doesn't know what will be done with that space. He wants to have room for expansion. It is a lot of money, but he wants something to last 40 years and to be prepared for new science. "I would rather build for the future than be in the situation we are today."

9:21:29 AM

JAMES M. (MATT) TANAKA, Crime Lab Project Manager, Alaska Department of Transportation and Public Facilities, Anchorage, said a nationally-recognized expert reviewed the forensic needs of the state. The 83,000 square feet will accommodate those needs through 2020. It will take four years to finish the project. Designing for the current need will be inadequate by

the time the building is ready. He is basing the \$100 million on other new labs, including Alaska's health lab and virology lab.

[9:23:48 AM](#)

SENATOR FRENCH said Mr. Tanaka is his ski buddy. He surmised that the building would be designed to be able to add a layer. He asked how many floors can be added if needed.

MR. TANAKA said over two stories is not allowed on the south side of Tudor Road. At the new site, the building can be expanded laterally. It will be oriented to do that. It is sized for 2020 and can be enlarged later. The new building cannot go above two stories.

[9:26:23 AM](#)

SENATOR BUNDE said he has similar concerns, and he questioned the success of bonds in Anchorage. He asked if construction can be done in stages or if it is an all-or-nothing proposition.

MR. TANAKA said it is possible, but in this case it would not be economic. It will cost much more to split the project into two phases because it needs to be laid out programmatically. To add on would be inefficient. It would be like adding a bedroom to the other side of your garage. It is sized for the year 2020.

SENATOR BUNDE surmised the 50,000-foot lab would be adequate for the near future, and 80,000 square feet would be needed in 2020.

[9:29:01 AM](#)

MR. TANAKA said by the time it is complete in 2012, 50,000 square feet will nearly be inadequate. It would be fully consumed over the remaining 12 years of its life.

SENATOR BUNDE suggested he refer to the footprint that the lab will need when it moves in, not what is needed today, in order to not give the impression that the building is excessive.

[9:30:07 AM](#)

SENATOR GREEN said she assumes the building includes all equipment, which would be more expensive than building an office. Much of the \$100 million will go into the equipment.

MR. TANAKA said that is true. This is the third lab that he has managed. Labs are inherently expensive, especially a public safety lab, which is mechanically and architecturally complex.

[9:32:13 AM](#)

CHAIR MCGUIRE said the retired troopers put on a very popular DNA information session for the public. She asked if the lab will have teaching space for the staff and the public. Educating the community on how law enforcement solves crime is good.

MR. TANAKA said there is a lab classroom. As the building is expanded, there are opportunities to accommodate.

MR. GLASS said there is a classroom in the present lab for teaching law enforcement officers about toxicology and breath samples, for example. There is one in the new plan, too.

[9:34:32 AM](#)

CHAIR MCGUIRE asked for maps and plans for the committee.

SENATOR FRENCH wants to know why bonding is proposed instead of using general funds.

CHAIR MCGUIRE said the committee supports the crime lab and has gotten more technicians for it. She is "hoping to get that DNA backlog as a result of the DNA expansion that Senator Bunde and others have worked on." She hopes the voters support the lab.

[9:36:31 AM](#)

SENATOR BUNDE said he doesn't have a lot of confidence that the voters will pass this, and he asked about a backup plan if the bonds do not pass.

MR. GLASS said he doesn't have a backup, but a delay will add about \$10 million per year. The public needs to be convinced that the lab is needed for the benefit of the citizens.

SENATOR BUNDE said he wants an adequate crime lab. He encouraged him to think about doing it in stages. "If that doesn't work -- and I know that it will cost more in the future - we probably should then have some thoughts about stepping up and doing it out of [general funds]."

[9:38:31 AM](#)

CHAIR MCGUIRE said that would be good to think about. Something bad might happen, "because I've been over to the crime lab and it's just overwhelming ... the lack of space that you have and the kinds of things you're trying to do." The time is now. Voters can be conservative. Schools in need were voted down, she said.

MR. GLASS said the lab director is educating the public. Things like the "CSI" camps for children help sell the lab.

[9:40:11 AM](#)

BRIAN ANDREWS, Deputy Commissioner, Department of Revenue (DOR), said it is the lowest interest environment in 20 years. A general obligation bond would have an interest structure of 4.5 to 5.2 percent -- very low. The rates may even decline. A bond will be cheap, but there are no costs associated with taking the money from the general fund. However, the state has about \$8.6 billion in liability from the pension fund with a cost of 8.25 percent, "so you might take that \$100 million and ... pay down that higher expense." Although it is an allusive figure, the state debt probably won't affect the state credit rating.

[9:42:40 AM](#)

SENATOR BUNDE said he wants a crime lab, but many people in his district won't go into debt if they have the cash. The long-range interest rate may decline in a recession, but investment income may also go down, so it may balance each other. He asked what it would take to get a net zero in long-term investment - "how much money would we have to have invested at what rate so that the bonding is a wise thing to do that actually doesn't cost the state money," and might even earn some.

MR. ANDREWS said that is difficult to say. But, for example, with \$100 million invested, "historically, on average, we've made about 9.25/9.5 percent off the retirement system." Retirement systems are invested conservatively. "Depending on the risk profile of the portfolio that we would look to ... to arbitrate out the cost of the debt, maybe \$75 million" over the same 30-year period. It depends on earnings results, which is difficult to speak to.

SENATOR BUNDE suggested that if the state was just beginning the project last week, "we would probably be discouraged."

MR. ANDREWS said, "That's absolutely correct."

[9:45:32 AM](#)

SENATOR FRENCH asked about the level of indebtedness now.

DEVON MITCHELL, Debt Manager, Department of Revenue, said the state has about [\$350] million in bonds now. The state hasn't used general obligation bonds much; the last issuance prior to 2003 was 1983.

SENATOR BUNDE said the crime lab is important. The bond will work for the public if the legislature puts "enough money away

and leaves it there." He said the guarantee can't be made constitutionally, but "we can agree to do this; it will ... put this money away for 30 years." A future legislature can use the money and the state is on the hook for all the debt service.

SENATOR BUNDE proposed Amendment 1, labeled 25-GS2043\A.1, Cook, as follows:

Page 3, line 21:

Delete all material and insert:

"\*Sec. 8. This Act takes effect on the effective date of an Act enacted by the Twenty-Fifth Alaska State Legislature that appropriates at least \$100,000,000 to the budget reserve fund (art. IX, sec. 17, Constitution of the State of Alaska)."

SENATOR BUNDE said it would let the public know that there is money put away, at least initially. The public would know "we were serious about this, that we aren't going to bond and then say, 'Oh King's X,' we're going to spend all that money anyway."

[9:48:01 AM](#)

MR. MITCHELL said he hasn't seen the amendment but cautioned that there are internal codes that prohibit "transferred proceeds, where you take money and invest it in a taxable type of vehicle while it is pledged to the repayment of the bonds." It's OK to make a deposit into the CBRF [Constitutional Budget Reserve Fund], for example, and available for investment and other purposes such as paying for some or all of the debt service. One has to be careful, he said.

SENATOR BUNDE said the amendment calls for a deposit into the CBRF that is available for appropriation, but with strong intent language that the legislature is serious about making this investment pay. It makes bonding a logical way to go.

CHAIR MCGUIRE asked for an opinion on the amendment.

[9:49:32 AM](#)

MR. MITCHELL suggested advice from the state's bond counsel.

SENATOR FRENCH said he would want legal advice. "We're all committed to saving a bunch of money this session." Much more than that will likely be deposited in the CBRF. He agrees that money should be put away, but it will be done more globally.

[9:50:20 AM](#)

SENATOR BUNDE said he can hold back on his amendment.

CHAIR MCGUIRE said she wanted to move SB 223 to the finance committee, but she'll hold it so DOR can look at the amendment.

SENATOR BUNDE said he hopes the state will be saving on a more global basis, but if this mechanism was attached to the bill and it goes out to the public, it will strengthen its passage.

CHAIR MCGUIRE said there is general trepidation about finances throughout Alaska -- and the nation. But there is a surplus in the budget because of high oil prices. There is confusion and nervousness by voters about the future and committing the state's resources with a bond, instead of using the surplus money. People will be able to understand what Senator Bunde is suggesting. She asked what the interest rate is on the \$350 million of current general obligation bond debt.

[9:52:44 AM](#)

MR. MITCHELL said it is 2003 debt, so there were two series of bonds, one for transportation, "which was Garvey-eligible, so we can use federal highway funds to pay a portion of the debt service." There was also accelerated transportation for state projects at \$102 million. There were educational projects, and those interest rates had a substantial premium that was used to pay debt service, "so they have a coupon that is a little bit higher - it might be around 5 percent," but the actual interest the state is paying is less because it received about \$30 million over the par amount of the bonds when they were sold.

[9:53:42 AM](#)

SENATOR GREEN asked about the start time for the lab with the two funding mechanisms. "What is the lag time with G.O. bonds?"

MR. MITCHELL said the biggest obstacle is the election in November, and then it takes time to put the legal and financial documents together. The money wouldn't be available until 2009, at the earliest, but some work can move ahead after a yes vote.

SENATOR GREEN said that it could take over a year, and by using the general fund, it would have an immediate effective date.

MR. MITCHELL said that can be addressed if general funds are used for design and planning. It makes a lot of sense with bonds because there are windows to spend tax-exempt bond proceeds within - typically three years. The design process is lengthy to ensure the right thing is built. He said he has dealt with

trying to compress those schedules and get the money spent in that three-year window. It makes sense to have an investment and then borrow money to fulfill the obligations.

[9:55:52 AM](#)

SENATOR FRENCH asked what amount of money is needed to get the project started in the summer of 2009, and how that would be split out from the bond money, "with the contingency that you don't spend the money that we appropriate for 2009 if the bond fails." Then the legislature can make a decision on how much faith it has in the voters in the election that follows.

SENATOR BUNDE said a delay will cost \$10 million.

CHAIR MCGUIRE said the amendment has not been formally offered, and SB 223 will be set aside.

The meeting was adjourned at [9:57:20 AM](#).