HB

529

HOUSE BILL NO. 529

IN THE LEGISLATURE OF THE STATE OF ALASKA

NINETEENTH LEGISLATURE - SECOND SESSION

BY THE HOUSE HEALTH, EDUCATION AND SOCIAL SERVICES COMMITTEE

Introduced: 2/28/96
Referred: Health, Education and Social Services, Finance

A BILL

FOR AN ACT ENTITLED

"An Act giving notice of and approving the entry into, and the issuance of certificates of participation in, a lease-purchase agreement for a centralized public health laboratory."

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

* Section 1. NOTICE AND APPROVAL OF THE ENTRY INTO AND FINANCING OF A LEASE-PURCHASE AGREEMENT. The state bond committee is authorized to issue certificates of participation for, and the Department of Health and Social Services is authorized to enter into, a lease-purchase agreement for a centralized public health facility to be constructed under the lease-purchase agreement. The anticipated total construction, acquisition, and other costs of the project are not to exceed $19,200,000. The total anticipated annual amount of the rental obligation is $3,100,000. The total anticipated lease payments for the full term of the lease-purchase agreement amount to $23,500,000. The state shall own the facility at the end of the lease term. This section constitutes the notice and approval required by AS 36.30.085.

not built rental the year 2000 - attrition or transfer should exist employee status

New Text Underlined [DELETED TEXT BRACKETED]

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FISCAL NOTE

No. 4

Bill Version: SCS HB529(HES)

(S) Publish Date: 5/6/96

STATE OF ALASKA
1996 LEGISLATIVE SESSION

Revision Date: _____

Title: "An Act giving notice of and approving . . . a lease purchase agreement for a centralized health laboratory."

Sponsor: (H) Health, Education and Social Services Committee

Requestor: (S) Health, Education and Social Services

Department Affected: Administration

BRU: General Services

Component: Leasing

COMPONENT SERIAL NO. 81

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING EXPENDITURES	FY 97	FY 98	FY 99	FY 00	FY 01	FY 02
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL	0.0	0.0	0.0	(75.4)	(75.4)	(75.4)
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	0.0	0.0	0.0	(75.4)	(75.4)	(75.4)
CAPITAL EXPENDITURES						
CHANGE IN REVENUES ( )	0.0	0.0	0.0	(75.4)	(75.4)	(75.4)

FUND SOURCE: (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF	0.0	0.0	0.0	(75.4)	(75.4)	(75.4)
1005 GF/Program Receipts						
1037 GF/Mental Health						
OTHER * CIP receipts						
TOTAL	0.0	0.0	0.0	(75.4)	(75.4)	(75.4)

Estimate of any current year (FY 96) cost: $0

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS: (Attach a separate page if necessary)

The bill would authorize financing and construction of a new laboratory facility which would replace two leased locations in Anchorage and Juneau. Lease savings would be expected to begin in FY 2000. The specific leases and current costs are shown on the following page. Costs for the Juneau lease have already been eliminated from the FY97 lease budget. If the Juneau lab is not closed in FY97 and the $107.0 cost of the Juneau lease is restored to the leasing budget, those funds will also be available as savings once a new facility is constructed. Future years estimated lease savings have been adjusted to reflect probable CPI adjustments. Payments on the new lease purchase facility are not included on this fiscal note.

Prepared by: Dugan Petty, Director — Phone: 465-2250

Division: General Services — Date: _____

Approved by Commissioner: Mark Boyer — Date: 5/2/96

Agency: Department of Administration

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FISCAL NOTE
STATE OF ALASKA
1996 LEGISLATIVE SESSION

BILL NO. SCS HB 529 (HES)

ANALYSIS: (continued)

Current Public Health Laboratory Leases

Lease # Location	Property	Sq Ft	FY 96 Cost / Year	RSA Amount	Net DOA Reduction	Estimated FY00 Reduction
1517C Anchorage	CR Lewis Bldg	5,100	73,440	0	73,440	75,385
1517D Anchorage	CR Lewis Bldg	385	2,079	2,079	0	0
		5,485	75,519	2,079	73,440	75,385
765 Juneau *	CBJ - BMH	4,460	107,040	0	107,040	109,874
Total Potential Savings		9,945	182,559	2,079	180,480	185,259

* Funds for this lease have been deleted from the FY97 budget

No. 5

Bill Version: SCS HB529(HES)

(S) Publish Date: 5/6/96

STATE OF ALASKA
.996 LEGISLATIVE SESSION

Revision Date: 05/02/96
Title: Lab Consolidation/Leave Anch & Fbks
Sponsor: House HESS
Requestor: Senate Rules

Dept. Affected: Health and Social Services
BRU: State Health Services
Component: Laboratory Services
COMPONENT SERIAL NO. 291
See also (SN#):

Expenditures/Revenues: (Thousands of Dollars)

OPERATING	FY97	FY98	FY99	FY00	FY01	FY02
PERSONAL SERVICES				(81.2)	(83.2)	(85.3)
TRAVEL				(3.5)	(3.6)	(3.7)
CONTRACTUAL				(15.2)	(15.6)	(16.0)
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	0.0	0.0	0.0	(99.9)	(102.4)	(105.0)
CAPITAL EXPENDITURES						
CHANGES IN REVENUES						

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF				(99.9)	(102.4)	(105.0)
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (please specify)						
TOTAL	0.0	0.0	0.0	(99.9)	(102.4)	(105.0)

POSITIONS:

FULL-TIME				(2)	(2)	(2)
PART-TIME						
TEMPORARY						

Estimate of any current year (FY96) cost: $0.0

ANALYSIS: (Attach a separate page if necessary)

Currently, the Division of Public Health operates three inadequate state public health laboratories in Anchorage, Juneau and Fairbanks and the Medical Examiner's laboratory temporarily located in the Department of Public Safety crime lab. Consolidation of the Juneau lab activities within the Anchorage would result in limited savings to the labs component.

The savings, for discussion purposes, would start in FY00 in the following line items.

Personal Services Line 100

With the consolidation of the two laboratories, current staffing levels can be reduced by two positions:

PCN 06-1065 Lab Technician I, range 10, GG, PFT, Juneau $45.3
PCN 06-1436 Admin Clerk II, range 8, GG, PFT, Juneau $35.9

Prepared by: Peter M. Nakamura, MD, MPH
Phone: (907) 465-3090
Division: Public Health
Date: 05/02/96

Approved by Commissioner: Karen Perdue, Commissioner
Date: 5/2/96
Agency: Department of Health & Social Services

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ANALYSIS (cont.):

The salaries listed above assume a 2.5% inflation factor.

Travel Line 200

Travel would be reduced $3.5 due to the staff being located in two locations, rather than three, the Chief would have to travel to each laboratory as required under CLIA.

Contractual Line 300

Janitorial Services - $2.1
Federal Inspections -$1.5
Subscriptions - $0.5
Telephones - $1.8
Public Utilities - $2.7
Rent - 0.5
Maintenance and Repair of Equipment - $3.2
Courier Services - $2.9

STATE OF ALASKA
1996 LEGISLATIVE SESSION

FISCAL NOTE

No. 6
Bill Version: SCSCSHB 529(HES)
(S) Publish Date: 5/6/96

Revison Date:
Dept. Affected: See NOTE below
Title: Approve Centralized Public Health Lab
BRU:
Component:
Sponsor: (H)HES
Requestor: (S)RLS
COMPONENT SERIAL NO.

Expenditures/Revenues: (Thousands of Dollars)

OPERATING EXPENDITURES	FY 97	FY 98	FY 99	FY 00	FY 01	FY 02
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
Principle and interest payments		2,687.0	2,687.0	2,687.0	2,687.0	2,687.0
TOTAL OPERATING	0.0	2,687.0	2,687.0	2,687.0	2,687.0	2,687.0
CAPITAL EXPENDITURES						
CHANGE IN REVENUES ( )						

FUND SOURCE: (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF		2,687.0	2,687.0	2,687.0	2,687.0	2,687.0
1005 GF/Program Receipts						
1037 GF/Mental Health						
TOTAL	0.0	2,687.0	2,687.0	2,687.0	2,687.0	2,687.0

Estimate of any current year (FY96) cost $

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS: (Attach a separate page if necessary)

The amounts shown are the debt financing lease purchase payments for construction of the Centralized Public Health Laboratory in Anchorage. Repayment of the COP's will require annual payments of no more than $2,687.0 per year for the years FY98-FY2005. Depending on interest rates at the time of issuance, actual payments may be less.

NOTE: This fiscal note reflects the annual debt payments only and will not effect a specific agency budget. The payments are included in the debt section of the front of the annual budget submitted to the legislature. The effect of this legislation on the operating budgets of HESS and Administration are reflected in separate fiscal notes.

Prepared by: Betty Martin, Comptroller — Phone: 465-2350
Division: Treasury — Date: May 2, 1996
Approved by Commissioner: Ross A. Kinney, Deputy Commissioner — Date: May 2, 1996
Agency: Department of Revenue

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LEG DOC NAME: FLS

FISCAL NOTE

STATE OF ALASKA
1996 LEGISLATIVE SESSION

No. 3
Bill Version: HB 529
(H) Publish Date: 3/29/96

Revision Date:
Title: "An Act giving notice of and approving . . . a lease purchase agreement for a centralized health laboratory."
Sponsor: (H) HESS
Requestor: (H) HESS

Department Affected: Administration
BRU: General Services
Component: Leasing & Facilities

COMPONENT SERIAL NO. 81

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING EXPENDITURES	FY 97	FY 98	FY 99	FY 00	FY 01	FY 02
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL	0.0	0.0	0.0	(312.1)	(312.1)	(312.1)
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	0.0	0.0	0.0	(312.1)	(312.1)	(312.1)
CAPITAL EXPENDITURES						
CHANGE IN REVENUES ( )	0.0	0.0	0.0	(312.1)	(312.1)	(312.1)

FUND SOURCE: (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF	0.0	0.0	0.0	(312.1)	(312.1)	(312.1)
1005 CF/Program Receipts						
1037 GF/Mental Health						
OTHER * CIP receipts						
TOTAL	0.0	0.0	0.0	(312.1)	(312.1)	(312.1)

Estimate of any current year (FY 96) cost: $0

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS: (Attach a separate page if necessary)
The bill would authorize financing and construction of a new laboratory facility which would replace the three leased locations in Anchorage, Fairbanks, and Juneau. Lease savings would be expected to begin in FY 2000. The specific leases and current costs are shown on the following page. Future years estimated lease savings have been adjusted to reflect probable CPI adjustments. Payments on the new lease purchase facility are not included on this fiscal note.

Prepared by: Dugan Petty, Director
Division: General Services
Phone: 465-2250
Date:

Approved by Commissioner: Mark Boyer
Agency: Department of Administration
Date: 3/28/96

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FISCAL NOTE
STATE OF ALASKA
1996 LEGISLATIVE SESSION

BILL NO. HB 529

ANALYSIS: (continued)

Current Public Health Laboratory Leases

Lease #	Location	Property	Sq Ft	FY 96 Cost / Year	RSA Amount	Net DOA Reduction	Estimated FY00 Reduction
765	Juneau	CBJ - BMH	4,460	107,040	0	107,040	109,874
2353	Fairbanks	UAF	5,255	123,585	0	123,585	126,858
1517C	Anchorage	CR Lewis Bldg	5,100	73,440	0	73,440	75,385
1517D	Anchorage	CR Lewis Bldg	385	2,079	2,079	0	0
			15,200	306,144	2,079	304,065	312,117

STATE OF ALASKA
1996 LEGISLATIVE SESSION

No. 2
Bill Version: HB 529
(H) Publish Date: 3/29/96

Revision Date:
Dept. Affected: Health and Social Services
Title: An act giving notice of and approving the the entry into a lease-purchased centralized PH Lab
BRU: State Health Services
Component: Laboratory Services
Sponsor: House HESS
COMPONENT SERIAL NO. 291
Requestor: House HESS
See also (SN#):

Expenditures/Revenues: (Thousands of Dollars)

OPERATING	FY97	FY98	FY99	FY00	FY01	FY02
PERSONAL SERVICES				(329.8)	(338.1)	(346.5)
TRAVEL				(7.5)	(7.7)	(7.9)
CONTRACTUAL				(61.0)	(62.5)	(64.1)
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	0.0	0.0	0.0	(398.3)	(408.3)	(418.5)
CAPITAL EXPENDITURES						
CHANGES IN REVENUES ( )						

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF				(398.3)	(408.3)	(418.5)
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (please specify)						
TOTAL	0.0	0.0	0.0	(398.3)	(408.3)	(418.5)

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

Estimate of any current year (FY96) cost: $0.0

ANALYSIS: (Attach a separate page if necessary)

Currently the Division of Public Health operates three state public health laboratories which are inadequate in Anchorage, Juneau and Fairbanks and the Medical Exminer's laboratory temporarily located in the DPS crime lab. The centralized laboratory in Anchorage would not only save the state from having to upgrade three laboratories to meet CLIA standards but would show a savings in operating costs.

The savings would start to occur in FY00 in the following line items.

Personal Services Line 100

With the centralization of the laboratory the currently staffing level can be reduced by six positions:

PCN 08-1205 Microbiologist IV, range 20, SU, PFT, Juneau $84.2

Prepared by: Peter M. Nakamura, MD, MPH
Phone: (907) 465-3090
Division: Public Health
Date: 03/07/96

Approved by Commissioner: Karen Perdue, Commissioner
Date: 3/12/96
Agency: Department of Health & Social Services

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ANALYSIS (cont.):

PCN 06-1065 Lab Technician I, range 10, GG, PFT, Juneau $45.3
PCN 06-1210 Lab Technician II, range 12, GG, PFT, Juneau $55.6
PCN 06-1435 Admin Clerk III, range 10, GG, PFT, Fairbanks $48.6
PCN 06-1436 Admin Clerk II, range 8, GG, PFT, Juneau $35.9
PCN 06-1024 Admin Clerk II, range 8, GG, PFT, Juneau $35.9

The salaries listed above assume a 2.5% inflation factor.

In addition, $24.3 would be save on an annual basis for the geographical differential which is paid to the Fairbanks staff.

Travel Line 200

Travel would be reduced $7.5 due to the staff being located in one location, rather than having the Chief traveling to each laboratory as required under CLIA.

Contractual Line 300

Janitorial Services - $8.4
Federal Inspections -$6.0
Subscriptions - $2.0
Telephones - $7.5
Public Utilities - $10.7
Rent - 2.1
Maintenance and Repair of Equipment - $12.6
Courier Services - $11.7

Other savings will be realized, as the number of major equipment and appliances such as refrigerators, autoclaves, dishwashers, etc needing to be replaced are reduced due to the centralization of the laboratory.

No. 1

STATE OF ALASKA
1996 LEGISLATIVE SESSION

FISCAL NOTE

Bill Version: HB 529
(H) Publish Date: 3/29/96

Revision Date:
Dept. Affected: See NOTE below
Title: Approve Centralized Public Health Lab
BRU:
Component:
Sponsor: (H)HESS
Requestor: (H)HESS
COMPONENT SERIAL NO.

Expenditures/Revenues: (Thousands of Dollars)

OPERATING EXPENDITURES	FY 97	FY 98	FY 99	FY 00	FY 01	FY 02
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
Principle and Interest payments		3,100.0	3,100.0	3,100.0	3,100.0	3,100.0
TOTAL OPERATING	0.0	3,100.0	3,100.0	3,100.0	3,100.0	3,100.0
CAPITAL EXPENDITURES						
CHANGE IN REVENUES ( )						

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF		3,100.0	3,100.0	3,100.0	3,100.0	3,100.0
1005 GF/Program Receipts						
1037 GF/Mental Health						
TOTAL	0.0	3,100.0	3,100.0	3,100.0	3,100.0	3,100.0

Estimate of any current year (FY96) cost $

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS: (Attach a separate page if necessary)

The amounts shown are the debt financing lease purchase payments for construction of the Centralized Public Health Laboratory in Anchorage. Repayment of the COP's will require annual payments of no more than $3,100.0 per year for the years FY98-FY2005. Depending on interest rates at the time of issuance, actual payments may be less.

NOTE: This fiscal note reflects the annual debt payments only and will not effect a specific agency budget. The payments are included in the debt section of the front of the annual budget submitted to the legislature. The effect of this legislation on the operating budgets of HESS and Administration are reflected in separate fiscal notes.

Prepared by: Betty Martin, Comptroller — Phone: 465-2350
Division: Treasury — Date: March 13, 1996
Approved by Commissioner: Ross A. Kinney, Deputy Commissioner — Date: March 13, 1996
Agency: Department of Revenue

ORIGINAL

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Senate amendments to HB 529: (By Senate H-S)

The Senate amendment specifies that the new centralized public health lab is to replace the existing Juneau and Anchorage public health labs. The House version assumed replacing the existing Fairbanks lab as well.

The amendment reduces the total construction costs from $19.2 million to $16.6 million; the annual debt service from $3.1 million to $2.7 million; and the total lease-purchase agreement amount from $23.5 million to $20.4 million.

For floor debate.

Elmer

Senate CS for HB 529(HES)

"An Act...approving... a lease purchase agreement for a centralized public health laboratory."

- This bill will authorize construction of a new public health laboratory to replace aging, functionally inadequate, and unsafe facilities in Anchorage and Juneau. It will also provide a permanent solution to the laboratory needs of the State Medical Examiner program.

- Laboratory capabilities are an essential part of the public health system in every state. We have to have them to protect the health of our citizens - they do things that private laboratories can't do or won't do.

- Our public health laboratories in Anchorage and Juneau are in leased facilities designed as offices not as laboratories involving infectious organisms and other biohazards.

- The age and inadequacy of these facilities exposes staff to health and safety risks and represents a potential threat to the public. A single accident could harm our staff or the public and cause the facilities to be de-certified and closed.

- Because of unsafe condition of these leased facilities Alaska has been in danger of losing the public health laboratory capacity needed to identify and control diseases that threaten the health of our citizens.

- These limitations also restrict the efficiency, functionality and effectiveness of our public health laboratory work.

- The problems have been identified, studied, and analyzed over many years. The solution is clear - construct a new facility that will be safe, more functional, more efficient, and that will provide a solid base for long term operation of these essential public services.

- This bill will accomplish that and, when the new facility is ready for occupancy, it will allow a reduction in the operating budget as a result of more efficient operations.

- It is not a perfect solution. But it solves the most critical and urgent problems and establishes a firm foundation for Alaska's public health system for many years to come.

HB 529

"An Act...approving... a lease purchase agreement for a centralized public health laboratory."

What is proposed?

- Construction of one centralized public health laboratory through lease financing at a total cost of $23.5 million ($19.2 million principle + $4.3 million interest.)

- Centralizing all public health laboratory functions and the State Medical Examiner program in a single facility in Anchorage.

- Financed over 8 years to obtain advantageous interest rate and to time payoff with declining Prudhoe Bay oil production curve - making greatest savings/cost avoidance available when they are needed most.

- Reduces long term operating costs ($1.3 million in operating savings and cost avoidance in a typical year - initial savings of $700.0 in FY 2000 when new lab is occupied.)

- Savings/cost avoidance of $26.8 million over 35 years (after cost of construction and not including expected cost of alternative space for State Medical Examiner) more than offsets cost of facility.

Why is it being proposed?

- Status quo cannot continue - we must:
  - eliminate exposure of staff (and potentially the public) to health and safety risks,
  - find permanent space for State Medical Examiner program (housed temporarily in borrowed space displacing State Crime Lab activities),
  - avoid unrecoverable capital investment in leased facilities that could only be a band aid fix of most critical health & safety problems,
  - achieve efficiencies that reduce operating costs,
  - eliminate facility restrictions that limit functionality and reduce effectiveness of essential public health services.

- Four separate laboratories are neither necessary, efficient, nor affordable.

- Centralization makes sense programatically - it is more efficient, will provide better service to the public and will be less costly reducing staffing needs and eliminating duplication in equipment.

- Current leased facilities in Anchorage and Juneau located in office space not designed to support laboratory functions expose staff to health and safety risks and cannot be made fully functional & safe even with extensive upgrades requiring unrecoverable capital investments.

- State Medical Examiner program cannot remain permanently in temporary space borrowed from and needed by Department of Public Safety's Crime Detection Laboratory in Anchorage.

What are the benefits?

- Provides most economical permanent solution to long-standing facility problems.
- Avoids unrecoverable investments in leased facilities necessary to make them safe and functional to support specialized activities involving biohazards.
- Achieves efficiencies, sustains program capacity, and enhances function at reduced cost.
- Enhances ability to support epidemiological investigations, disease surveillance and control activities; enhances capability of State Medical Examiner to support public health and justice systems.
- Co-location of professional microbiologist staff in one location increases the opportunity for professional collaboration, crosstraining, and development of scientific knowledge.

Why are laboratory facilities so expensive to build?

- Laboratories have specialized functions requiring special construction standards - must be concrete or steel with greater floor to floor dimensions and floor loading capacity.
- This building will be dealing with infectious agents and other biohazards requiring special air handling, ventilation, waste disposal (including incineration capacity) which significantly increase costs over standard construction.
- The building must be constructed to serve in public emergencies and to contain biohazards - requiring it to be constructed to more demanding standards to withstand greater stresses and to have additional systems such as emergency power generating capability.

Why not just remodel an existing building - wouldn't this be cheaper?

- Special structural requirements make it almost impossible to find an existing building that could be renovated.
- Even if a building of suitable construction type and size could be found it would be unlikely to meet the increased structural standards required for an emergency facility.
- Because of the special requirements of a biological laboratory the only element of an existing building that would be of any value as a lab would be the structure. Retrofitting other elements to meet requirements would likely be as costly as new construction - perhaps more so because of the added cost of land.

Why is Anchorage the best site?

- Anchorage is the air transportation hub of the state and the only site able to meet the critical need for timely delivery of specimens for laboratory testing from all areas of the state.

- Users of both public health laboratory and State Medical Examiner services can be better served from a facility in Anchorage.

- If a lab is built outside Anchorage the Medical Examiner could not be included because it must be located in close proximity to specialized support not available outside Anchorage.

What does a public health laboratory do?

- Public health laboratories:
  - serve a fundamentally different purpose from private labs;
  - provide specialized expertise and services that protect the entire state population;
  - specialize in disease surveillance, recognition of new and re-emerging infections;
  - provide the capacity for supporting outbreak investigation and control - processing large numbers of tests immediately in the face of an epidemic;
  - provide services to private laboratories for:
    - analysis for unusual, exotic, rare, sporadic or hard to detect diseases,
    - confirmation of private laboratory tests with unusual results or difficulties,
    - technical assistance to laboratories with difficulties in identifying microbial agents,
    - collection of data for concentrated disease eradication efforts.

What does the State Medical Examiner do?

The State Medical Examiner provides forensic pathology services (autopsies and other post-mortem examinations) to determine cause of death in suspicious, unattended deaths - supporting justice system and public health surveillance.

Importance of the Public Health Laboratory Accuracy and Expertise

Skill and Technical Experience to Protect the Public Health

Public health laboratories provide necessary specialized services that are otherwise not available. Easily overlooked and not often appreciated is the high level of skill, attention to detail, and technical experience required in public health laboratory programs needed to protect the public health.

Ability to Respond to Epidemics

While often offering benefit to a specific individual by providing diagnostic information on the cause of illness, most public health laboratory benefits accrue to the public in general. Tests performed are needed to establish targeted programs or to define groups at risk. Ability to respond to epidemics requires experience, diligence, expertise, and capacity not available outside the State laboratory system.

Recognition of New and Re-Emerging Disease

Public health laboratories provide essential services for disease surveillance and prevention, as well as recognition of new and re-emerging infectious disease agents that threaten the public health and welfare. Public health laboratories are a critical resource in the investigation of disease outbreaks and efforts to bring them under control.

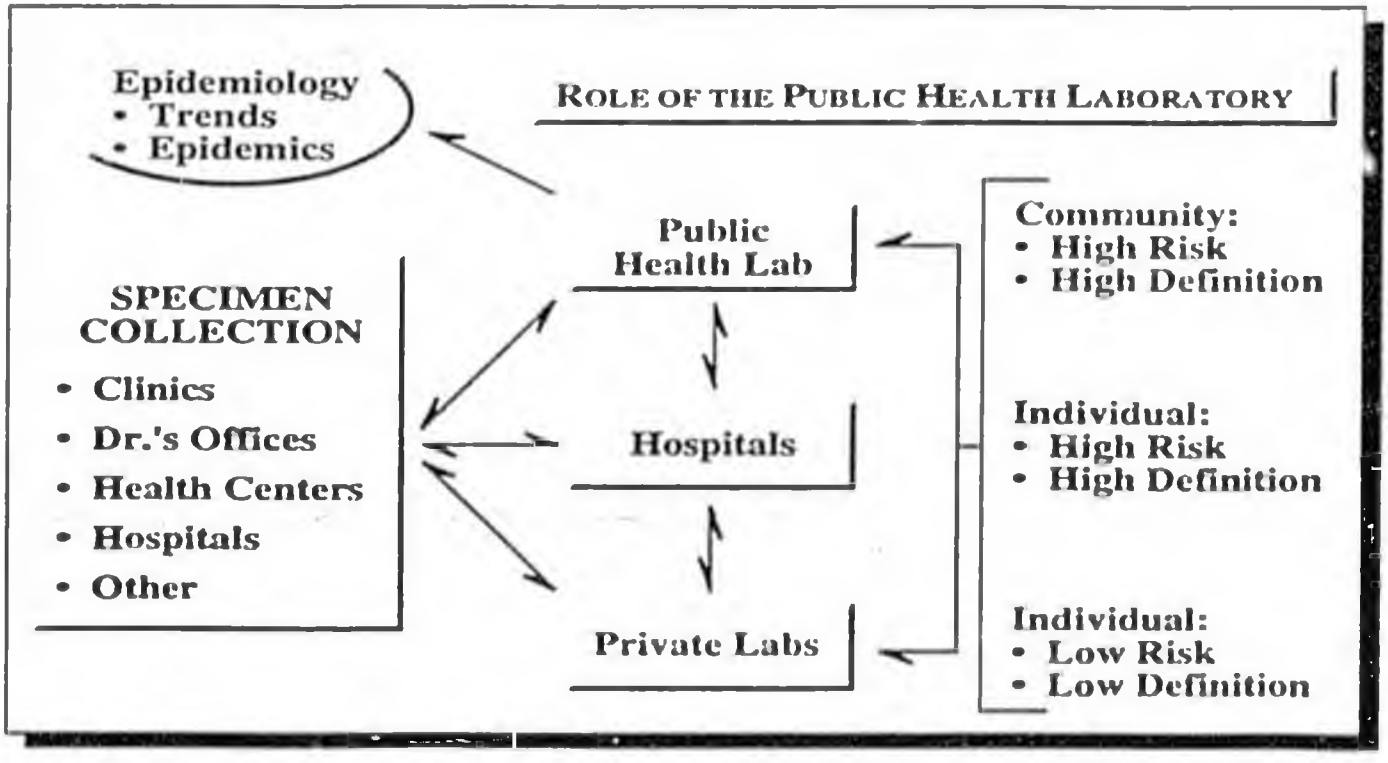
Demands on Public Health Labs are Increasing

As new public health problems arise, the demand on public health laboratories increases as occurred with HIV/AIDS, legionella, Lyme disease, tuberculosis, cholera, sexually transmitted diseases (STD), and drug resistant communicable disease agents, among others.

An Essential Part of the State's Disaster Response Plan

In addition to the daily services rendered to support state health programs, the public health laboratory must:

- maintain expertise and flexibility to investigate disease outbreaks;
- conduct special disease surveillance activities;
- determine immunity levels for a variety of vaccine preventable diseases;
- provide lab support as part of the State's disaster preparedness plan for response to emergencies.



Specific Examples of Benefits to the Public

Provided by the State Public Health Laboratories • Comments by John Middaugh, M.D. Alaska State Epidemiologist

Epidemic Gastroenteritis
Tourism Industry - May 1992

A widespread outbreak of gastrointestinal illness affected tourists visiting Alaska. Initially, tourists became ill on cruise ships, bus tours, the Alaska Railroad, and in Anchorage and Fairbanks hotels. The Department of Environmental Conservation was prepared to cancel all tours involving a private tour company using the Alaska Railroad when illness was shown to be associated with exposure to contaminated water, ice, and sinks on the tour company's railroad cars.

Because an epidemiologic investigation was rapidly initiated, the cause of this highly complicated outbreak was discerned. With confidence in the epidemiologic findings, we disinfected the railroad cars and allowed continuation of all tour group activities.

Critical to the decision not to cancel the tours were results of public health laboratory findings that helped identify the agent most likely responsible for causing the illness.

The capacity to respond to these types of situations is an essential core function of public health. Collection of stool specimens from angry, ill tourists is unpleasant and an imposition to the patients. Results are needed to direct public health control measures - in this case a decision had to be made about whether to cancel all tourist groups traveling between Fairbanks, Denali, and Anchorage in the height of the tourist season. As it turned out, the labs were correct in the diagnosis of the cause of the outbreak, and the disinfection measures were effective. The State avoided a major disruption of the summer tourist season that would have resulted in huge losses of tourist revenue and good will.

Epidemic Gastroenteritis and Contamination of King Crab - Dutch Harbor 1991

In December 1991, a major epidemic of gastrointestinal illness struck the crew of a major seafood processor at the height of the crab processing season in Dutch Harbor. A field team flew to Dutch Harbor to conduct an epidemiologic investigation that rapidly established a major outbreak of illness among the processing crew. Initially, the cause of the illness was not established. At the same time, it was found that the water supply used to process the king crab was grossly contaminated. In view of the potential public health risk from the processed crab, DEC and the FDA initiated actions to seize the potentially contaminated product valued at millions. The State Public Health Laboratory was successful in identifying giardia in stool specimens of ill processing crew members, providing evidence needed to enable enforcement actions and provisions of medical treatment to crew members, many of whom had been ill for 3-5 weeks without being diagnosed. Water samples were also found to be grossly contaminated, as were environmental samples of sea water taken near the processor.

The expertise within the State Laboratory was essential to establishing the cause of the outbreak, the clinical diagnosis of illness that enabled appropriate antibiotics to be prescribed, and the extent of environmental contamination of the island's water system.

As a result, massive improvements were made in seafood processing and inspection to ensure the safety and worldwide reputation of Alaska seafood products.

Tuberculosis Outbreaks
Rural Villages - 1994

Tuberculosis caused widespread outbreaks in several rural villages in 1994. Investigation of the outbreaks required a comprehensive, collaborative effort to identify individuals infected, assess presence and severity of disease, and arrange for appropriate treatment with antibiotics.

The investigations are still underway and the State has identified and begun antibiotic treatment for 38 Alaskans with active tuberculosis disease and 147 Alaskans who have been infected, but have not yet developed disease (preventive antibiotic treatment). It will be necessary to monitor closely the status of tuberculosis in the affected villages for several years.

Because low priority has been given to tuberculosis for at least a decade, institutional expertise and infrastructure to respond to these outbreaks of tuberculosis was inadequate.

The ability of the State to control tuberculosis depends on an effective, integrated program that includes a viable State Public Health Laboratory. Special technical expertise to process tuberculosis cultures is essential.

Special facilities are needed to protect laboratory workers from the biohazards of working with tuberculosis bacteria. The ability to quickly handle large numbers of specimens collected during outbreak investigations is also critical. A close partnership with medical epidemiologists and primary care providers must exist so that treatment can be targeted to identify rapidly patients who are infectious and able to transmit the disease.

Questions & Answers

URGENCY

How urgent are the current facility conditions and life-safety issues? **Very Urgent.**

All three APHLs occupy leased space that is technically or functionally inadequate to support the types of testing conducted there. Recent studies performed for the State have documented significant health and safety risks caused by improper ventilation and poor layout of lab spaces. Lease expenses and the cost of renovating leased space to meet minimal safety standards continues to strain the resources of the Department of Health and Social Services. Serious risks to the State exist if the status quo of the APHLs continues. These risks are primarily in the form of financial exposure to Worker's Compensation claims from the APHL staff and other state workers, and claims by the general public if a release of toxins occur because of faulty facility conditions.

PRIVATIZATION

Are the functions of the APHL already provided by the private laboratory industry? **No.**

It has been the policy of the APHL is to "shed" tests to the private laboratory providers when the assessment and assurance roles are no longer an issue and when the tests are more efficiently performed by the private labs.

The private laboratory industry provides specific tests aimed at identifying an individual's immediate health problem. The APHL provides tests that are aimed at detecting or documenting disease patterns and trends to assess a community's well-being. The APHL also assists in establishing Public Health policy development and assuring the quality of private laboratory services in the state.

PRIVATIZATION (Continued)

Can the APHL functions be provided by the private laboratory industry? **No.**

When privatization criteria are evaluated, it becomes clear that the APHL roles of assessment and assurance in policy making and epidemiological functions make APHL an essential component of the inherently public role of public health.

Frequently, and particularly in pursuing a health finding that is epidemiologically significant, the APHL will undertake tasks that go beyond what one could expect a private contractor to do. Private laboratories cannot assume the advocacy role for public health or concern for the public's welfare.

What is happening in other states with other State's Public Health Labs?

A recent poll conducted by the Colorado State Public Health Lab revealed the following:

- Over half (55%) of the state laboratories are planning a new facility.
- Another 20% are planning or have accomplished major renovation recently.
- Almost 60% need adequate physical facilities and cited health and safety as the major argument.
- 35% predict new services for labs as a reason for new facilities.
- 40% identified improving facility efficiency as a reason for planning new or renovating facilities.

CO-LOCATION

Are there opportunities to co-locate the APHL with other State laboratory operations and thus gain efficiency through economy of scale? **Yes.**

Based on analysis of the state agencies with compatible laboratory functions, there is an opportunity to consider co-locating the APHL at the State Crime Detection Laboratory site. Because of the current status of the medical examiner program, it is recommended that it move from its current location within the State Crime Detection Laboratory to a new centralized public health lab.

LOCATION

Where is the preferred location for the new centralized public health lab?

A threshold decision is necessary to determine the most appropriate community in the state in which to locate the new centralized public health lab. Alternative locations (Anchorage, Fairbanks and Juneau) will be evaluated based on specific criteria established to ascertain the relative advantages and disadvantages of each community. The following criteria has been developed for the evaluation:

- Ability to receive specimens same day of shipment from users.
- Opportunities to expand services or develop and market new in-state testing services.
- Opportunities for sharing facilities, infrastructure, professional expertise, equipment and data with existing labs.
- Ability to meet the support service needs of the Medical Examiner, if the ME program were to be co-located with the centralized APHL.
- Impact on existing jobs.
- Operating and maintenance implications.
- Improving administrative coordination between the APHL and the Division of Public Health within DHSS.

How much would it cost and how would the new centralized lab project be financed?

Including the Medical Examiner program, the new centralized public health lab is estimated to cost $18,700,000. We have examined four basic financing alternatives for design and construction of a new centralized public health laboratory: 1) Pay-as-you-go; 2) General obligation financing; 3) Lease financing; and 4) Partial pay-as-you-go. The lease financing alternative provides the most advantages and is most realistic in terms of availability of State capital funds.

LEASE FINANCING

Recommended Approach: Lease Financing for Design and Construction

Lease financing through the issuance of "Certificates of Participation" is a frequently used technique of financing construction of facilities purchased by state agencies around the United States. Since the facility would be used for a "public purpose", the interest on such a debt would carry the same tax-exempt status as the State's general obligation debt, but at a slightly higher interest rate (0.2%–0.3% higher). The financed amount would fund both design and construction of the facility. Another State agency would lease the new laboratory to the Department of Health and Social Services. The lease payments would then be used to pay the debt service.

Lease financing offers advantages to the other options considered. The pay-as-you-go option has the disadvantage of requiring a large amount of capital funds in a single year, adversely impacting the State's other capital budget priorities. General obligation financing would affect the State's credit and involves the delay and expense of a voter referendum.

Financing the facility over eight years will take advantage of currently low interest rates and time financial outlays to correspond with Prudhoe Bay oil production, making the greatest savings and cost avoidance available when needed most. Operating cost savings will partially defray debt service, but additional funds will be required during the period of financing. Over a twenty-two year period, cost savings from the new laboratory will exceed the total cost of construction and financing.

THE FINANCING PROCESS

The Legislature Must Authorize Issuance of Certificates of Participation

Issuance of Certificates of Participation requires the following process:

Step 1: The legislature enacts a capital budget bill with language that designates and empowers the appropriate State agency to enter into a lease-purchase transaction, and to issue Certificates of Participation. The planned financing amount includes debt issuance costs and any capitalized construction period interest.

Step 2: The State Bond Committee, comprised of the Commissioners of the departments of Revenue, Administration, Commerce and Economic Development, takes up the matter. It authorizes the State Debt Manager to time and structure the financing (if necessary), obtain a rating from a national credit rating service, and negotiate for the placement of the debt.

Step 3: Financial Closing. The theoretical minimum time lapse between legislative approval and financial closing is approximately 3 months. Additional time may be required.

CENTRALIZED PUBLIC HEALTH LABORATORY
CAPITAL COSTS VS. OPERATING SAVINGS
(Lease Financing—No First Year Payment—5.0% interest rate)

Operating Savings Exceed Total Debt Payments in 22 Years

January 05, 1996

Building costs have increased to $18.7 million—5% more than previously estimated—to reflect year delay. Loan payment schedule shown is representative and will be adjusted to fit specific needs of the project. Legislative approval is required to issue Certificates of Participation for financing.

FISCAL YEAR	INCLUDING MEDICAL EXAMINER FACILITY			OPERATING SAVINGS**	ADD. BLDG. RENEW. & REPLACEMENT COST AVOIDANCE***
	*PRINCIPAL (Bldg + Capitalized Interest	INTEREST	TOTAL PAYMENTS		
1997	0	0	0	0	0
1998	2,164,530	931,652	3,096,182	0	533,907
1999	2,274,109	822,073	3,096,182	0	545,616
2000	2,389,235	706,946	3,096,182	769,842	558,003
2001	2,510,191	585,991	3,096,182	806,775	571,066
2002	2,637,269	458,913	3,096,182	845,817	584,846
2003	2,770,781	325,401	3,096,182	885,681	599,081
2004	2,911,052	185,130	3,096,182	928,564	613,158
2005	1,510,333	37,758	1,548,091	972,865	628,021
2006	0	0	0	1,020,638	644,325
2007	0	0	0	1,071,146	660,900
2008	0	0	0	1,124,414	150,027
2009	0	0	0	1,180,551	148,414
2010	0	0	0	1,239,510	146,800
2011	0	0	0	1,301,470	145,186
2012	0	0	0	1,366,643	143,572
2013	0	0	0	1,436,273	141,958
2014	0	0	0	1,507,036	140,345
2015	0	0	0	1,582,388	138,731
2016	0	0	0	1,661,507	137,136
2017	0	0	0	1,744,583	135,559
2018	0	0	0	1,831,812	134,000
TOTALS	19,167,500	4,053,866	23,221,366	23,277,515	7,500,650

* Includes $18,700,000 Building Costs + $467,500 Capitalized Interest (to defer payment)

** Operating savings are based on the centralization of the Public Health Laboratory function, and therefore are independent of the inclusion of the Medical Examiner's Facility.

*** Additional costs to bring existing laboratories up to and maintain them at adequate functional level compared to new building. Does not include costs of providing alternate facility for Medical Examiner.

TONY KNOWLES, GOVERNOR

DEPT. OF HEALTH AND SOCIAL SERVICES

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March 27, 1996

The Honorable Tom Brice
Alaska State House of Representatives
State Capitol, Room 426
Juneau, AK 99801-1182

Dear Representative Brice,

Thank you for providing me an opportunity to respond to your questions related to HB 529. The $19.2 million includes construction and other project costs along with the costs of setting up financing and represents the principal amount. The additional $4.3 million you refer to are the interest costs over the eight year period of financing, for a total financed cost of $23.5 million. (See the attached narrative and chart which reconciles the various cost estimates for the Centralized Laboratory.)

The information that was provided by the 1994 report describes many of the advantages of centralization. After the report was prepared, the Department discussed the financial, operational and scientific implications of centralization and felt that the benefits for centralization were very real and did not need additional analysis. The Department then focused on reviewing options for implementing a centralized laboratory including financing alternatives, possible inclusion of the Medical Examiner's laboratory, and optimal location. Differences in the construction costs for the centralization option versus the consolidation option without differences in financing costs can be found in the attachment, "Public Health Laboratory Centralization Versus Consolidation, Operating Cost Reductions and Capital Costs".

For convenience I have re-stated your questions and followed with responses.

1) You claim there is a difference in equipment costs in the various scenarios. Won't the people moving into a new lab require the same amount of equipment regardless of where they are located? Everyone will still need desks, chairs, microscopes or whatever and to re-purchase them for the new facility should greatly increase the costs for centralization.

Staff will, of course, need chairs, phones, and similar pieces of non-specialized equipment to support their activities, and various pieces of equipment will be moved to the new facility. However, there will be opportunities to configure operations more efficiently and to take advantage of designs that provide flexibility and reduce the amount of equipment needed. There will also be fewer staff in a centralized facility which will reduce equipment requirements.

Most importantly, however, centralization of the public health laboratory functions provides substantial opportunity for reducing the amount of equipment needed by eliminating duplication. Separate facilities require duplicate equipment to support separate operations. Sharing of equipment, such as microscopes, analytical balances, computers, walk-in incubators and walk-in refrigerators, can occur in common areas of a centralized laboratory that are simply not possible in separate facilities. A centralized facility combining all public health laboratory operations would provide many opportunities for sharing complex and expensive equipment such as gas chromatographs, HPLC (high pressure liquid chromatographs), biological safety cabinets, fume hoods and specialized space such as isolation rooms, as well as space/equipment for DNA probe technology and polymerase chain reaction technology between disciplines.

Significant savings can be achieved through efficient management of resources providing greater efficiency in a single facility compared to operating in multiple facilities. For example, specimens would be received at one point and therefore could be processed by one biological safety cabinet and stored in one set of storage refrigerators or freezers. Waste disposal would also be streamlined and require less equipment such as autoclaves. Combination of operations in a single facility also provides opportunities for achieving "economies of scale" in equipment purchases.

2) Under the consolidation scenario in the study, a number of components were added to the Fairbanks lab such as building renewal and replacement and janitorial cost and a steady annual growth in the lease and maintenance costs. Currently, under the University's lease, payments are held flat and maintenance and janitorial are included. Why are these areas double-counted against Fairbanks in the study?

Building Renewal and Replacement. In evaluating the various options for the 1994 Strategic Plan report, the consultants developed a consistent methodology for reviewing renewal and replacement costs of a variety of different buildings, including new buildings, over a very long period of time. While in the short term a specific analysis of each building's needs is the best way to compare building (and we did conduct a separate physical analysis of each existing building by another consultant), there is no way to know now what specific building needs will surface in the long term, say, in twenty five years. Instead, the consultants employed a widely used formula, the Sherman-Dergis formula, to compare existing and proposed buildings. The formula uses building age and replacement value to estimate annual renewal and replacement costs over a ....y year period. It assumes that older buildings will require more renovation than newer ones.

Landlords will usually make only the limited general renovations and replacements to our laboratories needed to maintain the value of the facility. Many of the improvements that laboratories need would not be useful to a new tenant, and landlords want those improvements to be either paid directly or reimbursed through long-term leases. The new roof on the building housing the State Virology Laboratory at the University of Alaska, Fairbanks for instance was needed not just for the laboratory but to maintain the use of the building for all functions housed there.

While the University appears to have made some improvements without charging the Department of Health and Social Services, that situation will not necessarily continue in the future especially if major improvements are needed. Our lease does not require the University to do so and University staff have indicated that at some point in the future, the Fairbanks laboratory building (like every older building) will require additional renovation exceeding the thresholds that now exempt the building from current codes. A major renovation and upgrade to current standards will then be required. The costs of those renovations will have to be absorbed by either the University entirely or partially by the Department. We could expect that prudent management of University property would lead University administration to distribute costs of needed maintenance to all occupants of the facility, and primarily to those occupants requiring specialized improvements. To summarize, the numbers for renewal and replacement shown in the report may not be accurate in the short term, but do reflect some long term realities and in any case they are not at all critical for the demonstration of benefits from centralization.

Building renewal and replacement costs **have not** been included in our estimate of the operating savings that would result from centralization. We have shown them as possible cost avoidance, as an indicator of a potential extra benefit from establishing a new laboratory. We know a new centralized facility will avoid some costs related to building renewal, but the exact amount cannot be determined with absolute precision. However, the operating savings alone will defray the cost of a new centralized facility in a reasonable length of time whereas the operating savings from the consolidated scenario would not.

Janitorial Costs. It appears that you are correct that additional janitorial costs should not have been shown for the consolidated scenario. The current lease we have with the University states that the University will provide janitorial services. Since the amount in question ($1706) is relatively small, the apparent mistake would have made little difference in the comparison of alternatives. The fiscal notes prepared for HB-529 has more current information about the actual savings that we would experience with a Centralized Laboratory. We have summarized that revised information and comparable information for the Consolidated Scenario in the attached table.

University Lease-Payments held flat. Our records indicate the lease with the University for the Fairbanks laboratory space does have an inflationary clause calling for annual price adjustment corresponding to the Consumer Price Index. In any case, given the long term approach taken by the consultants, leases as negotiated over the long term would normally follow inflationary trends.

3) Your claim of savings in travel and personnel costs are arbitrary given it is the legislature in the budget process which establishes these funding levels. Please explain the expected savings and why we should not go ahead and realize them now?

Our estimates of travel and personnel savings are based on determinations of the travel and personnel needed to operate the laboratory program in separate facilities compared to a centralized facility. The savings cannot be realized now without significant reductions in program

capacity. We are currently operating from separate facilities and this imposes additional operating costs above what would be possible in a centralized facility.

Travel would be reduced under the Anchorage centralization option. Currently the Chief of the Section of Laboratories must travel between the three laboratories in order to inspect and participate in each laboratory's quality assurance program. This must be done in order to maintain the laboratories' license under the Clinical Laboratory Improvement Amendments. This travel would not be required under the centralization option. Additionally no travel would be required by the Chief or laboratory managers for special management meetings since they would be located in the same facility.

The reduction in personnel costs are to occur through a reduction in administrative and support staff made possible through efficiencies achievable in a centralized facility. This will enable us to reduce costs but maintain the critical expertise of professional microbiologists and the capacity for performing laboratory analysis. Centralization enables us to maintain our current expertise and capacity to perform the work of the laboratories but to reduce costs through efficiencies. Reducing personnel funding now without making changes needed to achieve efficiencies would impair program operations. Each laboratory will, as long as it operates separately, continue to have separate needs for administration, clerical support, and technical support to prepare media, reagents and glassware and to process waste materials. These tasks can be performed with fewer staff under the centralization option.

The Legislature could, of course, reduce funds appropriated to support the laboratories without providing for a means of solving our facility problems or enabling us to achieve program efficiencies through centralizing laboratory operations. However, this would reduce capacity to perform the needed laboratory analytical work and affect the functioning of Alaska's public health system.

I hope this information helps allay your concerns about this project.

Sincerely,

Karen Perdue
Commissioner

cc: Honorable Con Bunde
Honorable Cynthia Toohey

Centralized Laboratory: Comparing Project and Financing Costs

The table below compares estimates that have been developed in the last few years for the centralized laboratory project. The 1994 Strategic Plan report contained a construction cost estimate of $13.7 million for the centralized laboratory, but that estimate was strictly for construction costs through a direct capital appropriation—the report did not address financing alternatives. Moreover, while the report discussed the potential merits of including the Medical Examiner facility, space for that laboratory was not a part of the construction cost estimates.

The 1995 Financing Report prepared the next year compared several financing alternatives for a centralized laboratory. It also addressed the costs of including the Medical Examiner facility as an option. With centralization in Anchorage, adding the Medical Examiner makes sense in terms of both costs and operations, since we must find some space for the Medical Examiner in the future. The revised construction cost estimate was $17.8 million including the Medical Examiner, along with adjustments for two years of inflation (because of delays in the start of construction) and for costs of obtaining financing. Combined principle and interest payments to finance that facility was estimated at $22.1 million. The project was delayed yet another year, requiring another inflation adjustment. In addition, we adjusted the numbers to accommodate a specific financing strategy leading to the numbers contained in HB 529 ($19.2 million principal costs; $23.5 million for combined principle and interest costs). It is important to note that the total principle and interest cost is extremely sensitive to fluctuations in interest rates.

Reconciliation of Project and Financed Cost Estimates for Centralized Laboratory

	Project/ Principal Costs	Total Principal and Interest Costs
1994 Strategic Plan Report (with Coopers & Lybrand)		
(Excludes Medical Examiner)	13,685.0	17,116.0 *
1995 Reports—Financing a New Public Health Laboratory and Executive Summary Brochure (with Coopers & Lybrand)		
—Excluding Medical Examiner but including some adjustments for financing costs and two years of inflation. Estimate ("Lease Financing Option") is 8.7% higher than in 1994 report.	14,878.9	18,378.5
—Addition to include Medical Examiner	2,931.2	3,697.9
Total with Medical Examiner	17,810.1	22,076.4
Adding additional year of inflation (approx. 5%)	18,700.0	22,918.4
Adding additional financing costs	19,200.0	23,500.0

* Financed cost was not actually calculated in the Strategic Plan, which did not look at financing alternatives—financed cost number shown uses same methodology as in 1995 report.

Centralized Public Health Laboratory: Construction and other Project Costs

Laboratories, especially those requiring isolation of biological hazards such as public health laboratories, are expensive spaces to build. Costs for construction of modern laboratory space are very high for a variety of reasons. Specialized and complex laboratory areas require additional space for expensive utilities and services which generally run through utility chases between walls and under floors. These areas provide for gas, vacuum, compressed air and very specialized electrical and ventilation requirements (negative air pressure). Built in fume hoods and biological safety cabinets also require specialized ventilation to the outside. Waste treatment of biological materials (in autoclaves) and chemicals has unique requirements.

Construction must be explosion proof and have specialized floor drains, fire showers and eye wash stations in order to meet modern safety codes. Additionally, un-interruptable power sources are necessary for the expensive equipment common to laboratories. Work surfaces, sinks and drainage pipes must be made of particular materials which are resistant to corrosion and storage space must be appropriately vented for combustible solvents. Cold rooms and walk-in incubators are also common to laboratories and emergency systems are necessary. Special containment construction is required for working with each group of infectious organisms depending on its biosafety level (1-4). There are also special requirements for unusual floor loading or vibration isolation and adaptability to changes or expansion.

In addition, requirements of state and federal law make public buildings more expensive than comparable buildings built for the private sector. For instance, the requirements of AS 35.05.010 to pay prevailing wages for public buildings ("little Davis-Bacon") can make construction of public buildings considerably more costly than facilities serving a private function.

Estimating Construction Costs

In 1994, construction costs for the public health laboratory were estimated by a professional estimating firm in collaboration with Livingstone Slone, Inc., an Anchorage architectural firm. Costs for construction of the building were estimated at $384 per square foot for construction and site development alone, excluding other project costs such as design, project management, and equipment—these other project costs are described on the next page. The construction costs estimated in 1994 also need to be adjusted upwards to account for three years of inflation.

Some construction costs for similar types of buildings are shown in the table on the following page. Most of the projects listed are much larger projects than the proposed Centralized Laboratory. If everything else is equal, a smaller building is more expensive to construct on a per square foot basis. In addition, insulation and heating plant for the buildings in Los Angeles and Seattle would have to be significantly upgraded if built in Anchorage. (Also, costs shown for those projects do not include site development.) Most projects include a proportionately larger area of relatively inexpensive office or general purpose hospital room space. Probably the most comparable project in terms of size is the Controlled Disease Center at the Alaska Native Medical Center.

Project	Location	Size (sq, ft,)	Construction Costs	
			Costs ($millions)	Per sq. ft.
Alaska Examples—Actual costs				
Alaska Native Medical Center	Anchorage			
Hospital		382,607	$95.7	$284
Controlled Disease Center		13,439	$5.0	$375
Elmendorf Hospital	Anchorage	444,700	$138.7	$312
Kotzebue Hospital	Kotzebue	90,000	$43.0	$478
Out of State Examples—Costs adjusted for Anchorage and 1998 (4% inflation/year)				
UCLA McDonald Building—1993 research building—Anchorage/Los Angeles geographical cost ratio=115%	Los Angeles	136,000		$364
Fred Hutch Cancer Research Center (1994)—Anchorage/Seattle geographical cost ratio=125%	Seattle	365,000		$293

Sources: Livingstone Slone, Inc. and McLellan & Copenhagen, Inc.

Other Project Costs

In addition to the costs of site development and construction of the facility, other costs had to be estimated in order to calculate total project cost. These additional costs include: equipment, consultants (including design), project administration and project contingency. Because the building program and design have not been completed, the estimates by necessity were based on very limited information about the project.

Equipment The construction estimate includes the basic elements of a building. In addition a laboratory requires a range of general and specialized furnishings, including cabinets, counters and sinks, fume hoods, safety equipment; complex final plumbing connections and specialized lab equipment. When appropriate, existing equipment will be reused in the new facility. Equipment costs were estimated to equal 25% of the construction costs.

Consultants Before construction, the laboratory will require a detailed architectural program, specialized consultants and architectural and engineering services leading to design. Design and associated consulting services were estimated at 17.5% of construction costs, reflecting the specialized services needed for a laboratory housing biologically hazardous materials.

Project Administration Every construction project, whether in the private or public sector, requires project administration: to prepare bid packages, award contracts, monitor performance of design and construction contracts, process payments and serve as the contact for contractors when problems need resolution. Administration costs have been estimated to equal 7% of construction costs.

Project Contingency Estimating construction costs is an art, not a science, and every construction project encounters unforeseen problems and requires changes. Standard practice for every construction project, whether it be a single family residence or a major shopping center, is to set aside a certain percentage of construction costs for contingencies. Therefore, the project budget includes an additional 7% of project cost for contingencies.

State Medical Examiner Program

The State Medical Examiner is a forensic pathologist who performs investigations, autopsies and other post-mortem examinations needed to determine the cause and manner of death in cases of violent, suspicious, or sudden and unexpected deaths, and deaths which occur without a physician in attendance. The Medical Examiner is responsible for determining the cause and manner of death, identifying the deceased if unknown, signing the death certificate, and testifying in civil and criminal cases about his findings. These activities are essential to support the criminal and civil justice systems and public health surveillance activities.

The Medical Examiner program has a total budget of $834.7 including seven staff. Staffing consists of :

2 Board-certified forensic pathologists
3 Autopsy Assistants
2 Clerical staff

The Autopsy Assistants transport human remains, prepare them for autopsy, assist in the autopsies and other post-mortem examinations, prepare and sterilize the autopsy lab, and perform other duties necessary to support the forensic pathologists. Clerical staff perform medical transcription, audit and track billings for air transport and embalming and restoration services, and provide clerical support for all activities of the Medical Examiner program.

The Medical Examiner office is housed on a temporary basis in the Department of Public Safety central offices in Anchorage. Autopsies and other technical laboratory work is performed in temporary arrangements at the Scientific Crime Detection Laboratory located in the same complex of Public Safety offices but in a separate building. The Department of Public needs this space and is prevented from expanding crime detection activities while the Medical Examiner occupies the space.

Medical Examiner facilities are relatively expensive compared to costs of constructing standard office space. This is because they present design and engineering considerations similar to those of hospital facilities but with additional unique considerations. Medical Examiner facilities must support scientific work requiring specialized equipment and involving biohazards and provide specialized security that can maintain a chain of custody needed for storage of evidence that will be used in criminal and civil litigation. Facilities housing a Medical Examiner must accommodate long term processing and storage of decomposed human remains and other potentially life-threatening infectious or non-biological hazards such as material from toxic chemical spills.

The presence of biohazards in the work environment requires that special environmental, public health and safety, occupational safety, and fire protection codes be met. For example the facility must be explosion and fire proof, have uninterruptible power sources and provide special isolation

and working areas (such as separate autopsy facilities for decomposed remains.) It must also provide differential cold storage areas, long term storage of tissue and fluid samples, special ventilation and air-locked entrances, on-site access to an incinerator, special physical security measures, and separation of laboratory work areas from office/public use areas. Medical Examiner facilities must provide adequate morgue capacity to accommodate mass casualty events, be able to accommodate next of kin and media when necessary, and would ideally provide potential to support tissue recovery activities.

Public Health Laboratory
Centralization Versus Consolidation
Operating Cost Reductions and Capital Costs
Based on Current Information (March 1996)

	FY2000			FY2001			FY2002		
Operating cost reductions from existing operations	*Central-ization*	*Consol-idation*	*Differ-ence*	*Central-ization*	*Consol-idation*	*Differ-ence*	*Central-ization*	*Consol-idation*	*Differ-ence*
DOA Lease Cost	312.1	185.2	126.9	312.1	185.2	126.9	312.1	185.2	126.9
DHSS Costs									
Personnel	329.8	81.2	248.6	338.1	81.2	256.9	346.5	81.2	265.3
Travel	7.5	3.5	4.0	7.7	3.5	4.2	7.9	3.5	4.4
Contractual	61.0	15.2	45.8	62.5	15.2	47.3	64.1	15.2	48.9
Total Reductions	710.4	285.1	425.3	720.4	285.1	435.3	730.6	285.1	445.5

	Central-ization	*Consol-idation*	*Differ-ence*
Project Costs	19,200.0	15,657.8	3,542.2

P.O. BOX 966
NOME, ALASKA 99762
(907) 443-3311

NORTON SOUND HEALTH CORPORATION

Post-it™ brand fax transmittal memo 7671 | # of pages ▸ 2

To Dr Nakamura	From Maurice Ninham
Co. Director	Co. NSHC
Dept. Div. of Public Health	Phone # 443 3311
Fax # 586-1877	Fax # 443 3139

April 2, 1996

Honorable Al Adams
Room 417
State Capitol
Juneau, Alaska 99801-1182

Dear Senator Adams:

Dr. Nakamura has asked us to contact you and request support for HB 529 - regarding the construction of a centralized laboratory. The concern is that support for epidemiological services will not be sufficient to meet future epidemic situations.

There was discussion of this issue during the Mega-meeting earlier this spring and the benefits gained by centralization, modernization, and economies of scale that the centralized laboratory would produce appear to outweigh the objections about the loss of the facility in Fairbanks.

Sincerely,

Maurice Ninham
Sr. VP-Chief Operating Officer

[redacted]

CORRESPONDENCE

KENNETH W. MOSS, M.D.
PEDIATRICS
[illegible] GLACIER AVENUE
JUNEAU, ALASKA [illegible]

DIPLOMATE AMERICAN BOARD OF PEDIATRICS
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PHONE
(907) [illegible]
RES. [illegible]
PAGER [illegible]

January 9, 1995

Commissioner Karen Perdue
Department of Health and Social Services
PO Box 110601
Juneau, Alaska 99811-0601

Dear Commissioner Perdue:

I am writing this letter in support of your efforts to consolidate the three state public health laboratories into a single new state laboratory which is to be located in Anchorage. This may come as a bit of a surprise since I had been very vocal along with my medical colleagues in objecting to similar efforts in the past.

The medical staff of the Bartlett Memorial Hospital had the benefit of a presentation from Dr. Nakamura, Dr. Hayes, and Mr. Greg Herreford. It was quite evident from the discussion that the present situation is now significantly different. The Bartlett Hospital lab has developed the capacity to support the every day laboratory services needed for individual clients. The public health laboratory services can be best provided by a facility specifically designed to meet those needs. The medical staff was pleased to be informed of the plans to make all efforts to preserve the employment options for the present highly committed and motivated Juneau laboratory staff as services are integrated into a safe facility designed for laboratory functions.

I would like to take this opportunity to expand on the reason for the support by my medical colleagues and I for the planned consolidation of the three laboratories.

A strong state public health lab is essential to support the state's statutory responsibility to protect the public health. These responsibilities include the monitoring and surveillance of the infectious diseases presenting real as well as potential problems threatening our citizens. Our abilities to control TB, monitor and control HIV/AIDS, respond to new and recurring diseases, monitor and react to epidemics of influenza, and provide needed care to our most vulnerable populations are but a few examples of the services supported by a responsible state public health laboratory.

The economic costs to this state can be very significant if we lose our epidemiological services supported by the state public health laboratories. The medical profession was

kept informed of the recent epidemic of gastrointestinal disease cases affecting the passengers of the cruise lines with their thousands of visitors to Juneau and other communities in Southeast Alaska. The very technical and skilled public health intervention resulted in the identification of the offending food service at Burwash Landing in the Yukon Territory, avoiding the closure of the cruise and tourist industry in Alaska.

It is crucial for Alaska to have a public health laboratory that will gain the confidence of the medical profession and our citizens while assuring that highly technical and skilled staff can be recruited and appropriately supported in meeting all present and future demands.

Smart management dictates that a state public health laboratory meet the standards of economic and administrative efficiency while providing a safe and efficient public health service. These standards can no longer be met through the independent operation of three separate laboratories operating in facilities that have outgrown their utility.

Sincerely,

Kenneth E. Moss, M.D.

Kenneth Moss, M.D.

STATE OF ALASKA

Tony Knowles, Governor

DEPARTMENT OF HEALTH AND SOCIAL SERVICES
Section of Laboratories

State Public Health Laboratory-Juneau
3236 Hospital Drive
Juneau, AK 99801
(907) 586-3580

MEMORANDUM

DATE: January 9, 1996

TO: Karen Perdue
Commissioner
Health and Social Services

FROM: Gregg Herriford GH
Laboratory Manager
State Public Health Laboratory-Juneau

SUBJECT: Consolidation of The State Public Health Laboratories

I support the consolidation of the current three State Public Health Laboratories and the Medical Examiners Office into a single new facility. Although the consolidation will require that staff and laboratories be moved from their long established locations, I feel that the advantages to the State of Alaska and in particular to the Section of Laboratories outweigh the negatives.

The advantages of a single new laboratory are many. Not the least are the cost savings over the next few years. If the State could provide adequate funding for repair, renovation and operation of the laboratories as they are currently construed then a new facility would not be critical. However, the reality is that the State budget will decline and that cost savings must be found. In the long run a centralized laboratory is the most cost efficient means of providing high quality Public Health Laboratory services to the people of the State of Alaska.

The current facilities are all in leased buildings of various ages and conditions. Two of the laboratories are in buildings never designed to be a laboratory. While the current operations have an unblemished safety record it is apparent that the potential for an accident affecting either the staff, the public or both is considerably greater in the old facilities versus a modern facility designed as a laboratory.

With three laboratories all the support and infrastructure must be triplicated. The support equipment for the laboratory is expensive to purchase and maintain. An example is our autoclaves. Currently there are between 7 to 9 autoclaves in the three laboratories at an average cost of $35,000 each. A single consolidated laboratory would require considerably fewer such items. As new testing becomes available new equipment is often required. With three laboratories performing the tests this expensive equipment must again be triplicated. In the past the expense of setting up new tests in two or three separate laboratories has delayed their implementation.

Laboratory technology changes rapidly and is requiring space specifically engineered for laboratory functions. The nucleic acid amplification method to assay for small amounts of genetic material of a target organism is an example of a new test that requires the highest standards in laboratory techniques and environment. The staff at the laboratories are eminently capable of performing these types of tests but the physical environments the work is carried out in require that extensive safeguards be put in place to ensure the accuracy of the assay performed.

A new, modern facility would allow the State Public Health Laboratory to rapidly respond to newly emerging pathogens. As the flow of people and goods along the Pacific Rim increases, the possibility of a new or previously benign organism developing into a serious Public Health threat must be considered. The State of Alaska must have a Public Health Laboratory capable of responding to the challenge. I am confident that the current staff has that capability, I question if the state laboratory has the facilities to respond.

Combining the staffs of the current three laboratories would have the added benefit of enlarging the pool of skilled microbiologists that could be utilized to address any given problem. It would also encourage and assist in staff development and moral.

Maniilaq Association

P.O. Box 256
Kotzebue, Alaska 99752
(907) 442-3311

Received
1 - 2 9 1996
Div. of Public Health

March 28, 1996

STATE OF ALASKA
Rep. Don Long
Room 405, State Capital
Juneau, AK 99801-1182

Juneau, Alaska 99811-0610

re: Centralized Public Health Laboratory Proposal

Dear Don,

The proposal clearly outlines the need for a new centralized facility. The future savings is a great motivator for pursuing this venture.

With Legislature's 7 year budget plan aimed at reducing spending we are concerned that this proposed construction will dramatically reduce funds that could be made available to support the needed services we provide for Northwest Alaska.

We have shared this proposal with our own laboratory staff and they fully support the proposal. Noted improvements if the proposed plan is approved:

1. Specimens would be sent to one lab.
2. Reports would come from one lab.
3. Billing would be simplified from one location,
4. Air travel to Anchorage is easier and more direct for village users.

Maniilaq Association supports the proposed construction of the CENTRALIZED PUBLIC HEALTH LABORATORY provided that our program funding is not effected by this proposal.

Sincerely
MANIILAQ ASSOCIATION

Joseph A. Ballot
President/CEO

cc: Peter Nakamura

Anchorage · *Star of the North*
Chamber of Commerce

April 12, 1996

The Honorable Senator Johnny Ellis
Alaska State Legislature
State Capitol
Juneau, Alaska 99801-1182

Dear Senator Ellis:

The Anchorage Chamber of Commerce strongly supports the concept of a centralized public health laboratory for the State and believes that Anchorage is the logical choice for siting of the facility. Placing the facility on the same campus as the crime lab seems a logical choice.

We would be pleased to work with DOT/PF and DHSS to implement this important project. Please let us know how we may be of additional help.

Sincerely,

Sue Linford

Sue Linford
Chair 1995/96

cc: Anchorage Caucus

441 West 5th Avenue, Suite 300, Anchorage, Alaska 99501-2309 (907) 272-2401 FAX (907) 272-4117
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April 12, 1996

Honorable Vic Kohring
Member, House Finance Committee
House of Representatives
State of Alaska
Juneau, Alaska

Re: HB-529 Centralized Public Health Laboratories

This memo is in response to the request of the Department of Health and Social Services to address some of the issues regarding the House Bill 529 before the Committee.

By way of introduction, since 1993, I have been a technical advisory to the DH &SS regarding laboratory facilities and their safe operations. In this capacity, I have made several site visits to each laboratory and have assisted the contractor / owner of the Anchorage lab in bringing the TB lab into partial compliance with the guidelines established by the Centers for Disease Control and Prevention (CDC).

As I have previously testified, the Alaska labs are in the worse shape, by far, of any I have visited in my career as a laboratory design specialist. I even used the Anchorage lab as a case study in a chapter I authored for publication of the Centers for Disease Control and Prevention on biological laboratory design.

I would like to address two issues brought up at the hearings on this Bill:

1) Construction costs for biological laboratories
2) Renovating an existing structure vs building a new structure.

The Committee has been provided with some comparable Construction Costs relative to laboratory buildings in other parts of the country. These costs however do not fully address the issues faced with a biological laboratory constructed in Alaska. First of all, any data sited from the lower 48 has to be reconciled with the adverse weather conditions in Alaska. The premium for a building of similar function in Seattle or California to built in Alaska is on the order of 20%. The reasons for this premium is the colder climate which adds greatly to the heating system, windows, walls and roofing systems. In addition, Anchorage for example is in an earthquake zone which places additional seismic requirements on the structure including special footings or caissons to insure the building will not be severely damaged in an earthquake. This criteria is especially important for the Public Health Labs since they must remain in operation during any crises or other threats to public health.

Due to the infectious nature of the specimen material the Public Health Labs handles it is necessary that they have many items not commonly found in other labs such as expensive sterilizers, pure water systems, chemical fume hoods, biological safety cabinets and analytical equipment to carry out their mission and responsibilities to the public. Nothing could be worse than to have a specimen contaminated and an individual advised wrongly that they had a critical infection.

It was suggested during the hearings that it might be more cost effective to renovate an existing building rather that build a completely new facility. From my years of experience I would suggest that this is a viable option and could reduce the total costs by 15-20%. The problem, as I see it, is location a suitable structure that fits the design criteria for a biological laboratory. First of all the only element of an existing building that would be of value to a lab building is the structure. For a structure to qualify it would have to be concrete or structural steel with 16'-0" minimum floor-to-floor dimensions and provide 125 PSI live floor loading.

This height is required to allow for the large supply / exhaust air duct system required for a laboratory. Typically, a biological lab requires 10 to 12 air changes per hour to insure that any hazardous materials are removed from the work environment. This air is 100% from the outside and is not recirculated as it would be in an office or retail building.

The floor carrying capacity is necessary to insure that the building is as free as possible from vibration since the lab has vibration sensitive scientific equipment. It is not economically feasible to locate all the lab functions on the ground floor.

These criteria severely limit the building that would qualify for retrofitting for a laboratory. One of the many problems we have had with the existing Anchorage lab is that it is a wood frame office building and does have a recirculating air system. We have had to make major adjustments to the air system to bring the TB lab into compliance.

I hope these observations are helpful in your deliberations and please do not hesitate to call if I can be of further assistance. For what it is worth, I mentioned to someone in the Department that there are scientific laboratories in the Alaska high schools and community colleges, not to mention the universities, that are far safer to work in than the existing Public Health Labs.

Sincerely,

Nolan W. Watson
Principal

cc: Honorable Mark Hanley
Chairman, House Finance Committee

LIVINGSTON SLONE
ARCHITECTURE
ENGINEERING
PLANNING
INTERIOR DESIGN

April 12, 1996

Honorable Vic Kohring
House of Representatives
State Capitol, Room 428
Juneau, Alaska 99801-1182

Subj.: House Bill No. 529
Centralized Public Health Facility

Dear Representative Kohring:

We understand that in discussions with staff at the Department of Health and Social Services you expressed concerns about the construction cost for the centralized public health facility currently under consideration in HB 529. I am writing to you to offer information useful in understanding the basis for the anticipated cost.

We too, are concerned about the cost and take it as a professional charge to develop a project that is most cost-effective in delivering a facility that meets public needs.

Our anticipated construction cost was developed in 1994 in consultation with professional cost estimators and laboratory specialists experienced in similar project types. The resulting cost, when viewed as an equivalent unit cost of $384/sf, can be misleading when compared to other non-similar building types.

The equivalent $384/sf figure for the combined public health facility includes full site development costs even though they are not usually not applicable to the unit *building* cost. Also, the ratios of total building areas to usable areas (gross-to-net ratios) are much higher for laboratories than for conventional building. To accommodate special systems and flexibility for future changes, greater floor-to-floor heights (and therefore building volumes) are needed. These two factors have the effect of increasing the apparent equivalent unit square foot cost for this project.

Also, laboratory buildings, in general, are more expensive to build. As a point of comparison, the federal government has budgeted $433/sf for NOAA's planned marine laboratory in Juneau exclusive of land, utility and site improvement costs.

Even in the broad category of laboratory buildings, this centralized public health facility will be more expensive. The performance demands placed on this facility require that its systems be well planned and flexible.

- Because the facility will be handling infectious material, the spaces and systems must be designed to assure safe use by staff. To accommodate

[illegible]

these needs, additional isolation and other specialized systems need to be incorporated into the building.

- For optimum value, the building will be designed for an extended 50 year useful life. This requires a building with enough built-in flexibility to accommodate the ever-changing medical technology needed.

- Its status as an emergency facility also places demands on the cost of construction. For instance, the structure will have an importance factor applied as required by code for emergency facilities. It will require the building to resist 25% greater wind, snow, and earthquake loads than buildings in the same community. An emergency generator is also required so that the building can function in times of disaster.

The result is that more quality, features, and volume are needed to support the net usable areas, thus increasing the total cost per square foot.

We also considered the option of renovating an existing facility. We concluded that operational functions, building organization (the relationship of the internal spaces and system) and the need for future flexibility would make it extremely difficult to find and modify an existing space. These needs require greater than normal floor-to-floor heights and structural considerations not usually incorporated into existing buildings. To function properly, this facility must be designed around its internal needs. To fit these needs into an existing building would require compromises in function and efficiency. Even if an existing facility of suitable size could be found, it would probably not be able to meet the increased structural requirements necessary to qualify as an emergency facility. Further, a benefit of this project is the use of state-owned land on which to construct it, a cost that must be borne by an existing building (unless it is state-owned). Given these combined factors, it was not reasonable to anticipate that an existing structure would be satisfy the project needs. This option could be further explored during later stages of the project but should not be relied upon for its success.

In the end, through the design process, the building will be designed as efficiently and economically as feasible given its requirements. While the final unit cost may vary, the total consecution budget will be held. Prudence requires that an adequate amount be planned now.

If you have specific questions about the project, please feel free to call Tom Livingston or myself. We will do our best to provide you the information you need.

Sincerely,

LIVINGSTON SLONE, INC.

Don Slone

Donald E. Slone, PE
President

cc: Representative Mark Hanley, Co-Chair, House Finance Committee
Mr. Greg Hayes, Dr. P. H., DHSS
Mr. Tom Lane, DHSS

BARTLETT MEMORIAL HOSPITAL

3260 HOSPITAL DRIVE • JUNEAU, ALASKA 99801 • TELEPHONE (907) 586-2611

cc: Elmer
Webb
Janet

April 3, 1996

Alaska State Legislature
Representative Mark Hanley
State Capitol
Juneau, Alaska 9981-1182

Dear Representative Hanley:

We understand that the funding for the branch of the state laboratory in Juneau has been eliminated from this year's operating budget. It seems appropriate for long-range planning to eventually have centralized laboratory services in Anchorage, however, we are distressed by the possibility of complete cessation of all laboratory services on a short notice without opportunity to plan for continuation of critical state public health services. The physicians on the staff at Bartlett Memorial Hospital in Juneau have identified several critical services provided by the lab:

1) Testing for sexually transmitted diseases.
2) Storage and distribution of vaccines and tuberculosis testing materials.
3) Parasite testing.
4) Fungal testing.

There are probably some other critical services that we have not been able to identify on short notice.

The medical staff discussed this on April 2, and we unanimously request that, while the centralized laboratory services are being developed, funding be continued for proper transition of these services so that critical public health activities are not interrupted due to short notice and insufficient staffing.

Respectfully,

Allan G. Schlicht, Chief-of-Staff
Bartlett Memorial Hospital

TM:P1348AGS.LTR