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FILE

HOUSE COMMITTEE REPORT

(11)

Date Referred to Committee: February 5, 1997

FURTHER REFERRALS:

Date of Committee Action: 4/2/97

The FINANCE Committee considered:

HB 66

HOUSE BILL NO. 66

APPROVE CENTRALIZED PUBLIC HEALTH LAB

"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 facility."

recommends it be replaced with the following committee substitute CS HB 66 (Hes) the same title a new title

additional referral to _____ Committee
 attached amendment(s)

ADOPTS: _____ Letter of Intent

ATTACHES NEW FISCAL NOTE(S): (Dept)

APPROVES PREVIOUS: (Dept/Date)

fiscal note(s) _____

fiscal note(s) Admin 2/5/97
DHSS 2/5/97
REV 2/5/97

zero fiscal note(s) _____

zero fiscal note(s) DPS 2/5/97

SIGNING WITH RECOMMENDATIONS		DP	DNP	NR	AM
	Therriault			X	
	Kelly			X	
	G. Davis	X			
	Hanley			X	
	Martin	X			
	Kohring				X
	J. Davies			X	

Co-CHAIR'S SIGNATURE

Therriault Hanley

1997 LEGISLATIVE SESSION

Revision Date: _____
 Title: Approve Centralized Public Health Lab
 Sponsor: H. HESS
 Requestor: H. HESS

Dept. Affected: Public Safety
 Component: DPS Statewide Support
Scientific Crime Detection Laboratory
 COMPONENT SERIAL NO. 0527

EXPENDITURES/REVENUES: (Thousands of Dollars) (inflation not included)

OPERATING	FY 98	FY 99	FY 00	FY 01	FY 02	FY 03
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	-0-	-0-	-0-	-0-	-0-	-0-
CAPITAL EXPENDITURES	-0-	-0-	-0-	-0-	-0-	-0-
CHANGE IN REVENUES ()	-0-	-0-	-0-	-0-	-0-	-0-
Code Revenue						

FUNDING: (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1006 GF/MHTIA						
Other						
TOTAL	-0-	-0-	-0-	-0-	-0-	-0-

Estimate of current year (FY 97) impact: \$ _____

POSITIONS:

FULL-TIME	0	0	0	0	0	0
PART-TIME	0	0	0	0	0	0
TEMPORARY	0	0	0	0	0	0

ANALYSIS: (Attach a separate page if necessary.)
 No fiscal impact is anticipated to the Department of Public Safety

Prepared By: George Taft, Director Phone: 269-5687
 Division: Scientific Crime Detection Laboratory Date: 1/29/97
 Approved by Commissioner: *Ronald L. Otto* Date: 1/27/97
 Agency: Ronald L. Otto, Dept. of Public Safety

FISCAL NOTE

No. 2
 Bill Version: CSHB 66(HES)
 (H) Publish Date: 2/5/97

STATE OF ALASKA
 1997 LEGISLATIVE SESSION

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

Department Affected: Administration
 BRU: General Services
 Component: Leasing
 COMPONENT SERIAL NO. 81

EXPENDITURES/REVENUES:

(Thousands of Dollars)

OPERATING EXPENDITURES	FY 98	FY 99	FY 00	FY 01	FY 02	FY 03
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						
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CHANGE IN REVENUES ()	0.0	0.0	0.0	(75.4)	(75.4)	(75.4)
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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 97) 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 2001. The specific leases and current costs are shown on the following page. Costs for the Juneau lease are budgeted in the Department of Health & Social Services. Future years estimated lease savings have been adjusted to reflect probable CPI adjustments. Payments for the new lease purchase, design, construction, acquisition and construction contract compliance are not included on this fiscal note.

Prepared by: Duane Petty, Director
 Division: General Services

Phone: 465-2250
 Date: _____

Approved by Commissioner: Mark Boyer
 Agency: Department of Administration

Date: 1-29-97

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- ANALYSIS: (continued)

Current Public Health Laboratory Leases

Lease #	Location	Property	FY 97 Cost		RSA Amount	Net FY 97 Estimated FY01	
			Sq Ft	/ Year		DOA Budget	DOA Reduction
1517C	Anchorage	CR Lewis Bldg	5,100	73,440	0	73,440	76,044
1517D	Anchorage	CR Lewis Bldg	385	2,079	2,079	0	0
			<u>5,485</u>	<u>75,519</u>	<u>2,079</u>	<u>73,440</u>	<u>76,044</u>

STATE OF ALASKA
1997 LEGISLATIVE SESSION

No. 3
 Bill Version: CSHB 66(HES)
 (H) Publish Date: 2/5/97

Revision Date: _____
 Title: Centralized Lab Facility
 Sponsor: House HESS
 Requestor: _____

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	FY98	FY99	FY00	FY01	FY02	FY03
PERSONAL SERVICES	0.0	0.0	0.0	(83.2)	(85.3)	(87.4)
TRAVEL				(3.6)	(3.7)	(3.8)
CONTRACTUAL				(130.3)	(134.1)	(137.5)
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	0.0	0.0	0.0	(217.6)	(223.1)	(228.7)

CAPITAL EXPENDITURES						
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CHANGES IN REVENUES	()					
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FUND SOURCE

(Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF				(217.6)	(223.1)	(228.7)
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (please specify)						
TOTAL	0.0	0.0	0.0	(217.6)	(223.1)	(228.7)

POSITIONS:

FULL-TIME				-2	-2	-2
PART-TIME						
TEMPORARY						

Estimate of any current year (FY97) 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 Anchorage would not only save the state from having to upgrade two laboratories but would also show a savings in operating costs.

The savings would start to occur in FY01 in the following line items.

Personal Services Line 100

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

PCN 06-1065 Lab Technician I, range 10 GG, PFT Juneau, \$48.4

Prepared by: Peter M. Nakamura, MD, MPH
 Division: Public Health
 Approved by Commissioner: Karen Perdue, Commissioner
 Agency: Department of Health & Social Services

Phone: (907) 465-3090
 Date: 01/22/97
 Date: 1/27/97

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ANALYSIS (cont.):

PCN 08-1436 Admin. Clerk II, range 8, GG, PFT, Juneau \$36.8

Travel Line 200

Travel would be reduced by \$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 - \$2.2

Federal Inspections - \$1.5

Subscriptions - \$0.5

Telephones - \$1.9

Public Utilities - \$2.8

Rent - \$0.6

Maintenance and Repair of Equipment - \$3.2

Courier Services - \$2.9

Space Lease - \$115.2

All line items listed above assume a 2.5% per year inflation factor.

Revision Date: _____ Dept. Affected: Revenue
 Title: Approve Centralized Public Health Lab BRU: Revenue Operations
 Component: Treasury
 Sponsor: (H) HES
 Requestor: (H) HES COMPONENT SERIAL NO. 121

Expenditures/Revenues:

(Thousands of Dollars)

OPERATING EXPENDITURES	FY 98	FY 99	FY 00	FY 01	FY 02	FY 03
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS-Lease Payments		2,378.3	2,381.3	2,379.2	2,380.2	2,381.2
TOTAL OPERATING	0.0	2,378.3	2,381.3	2,379.2	2,380.2	2,381.2

CAPITAL EXPENDITURES						
----------------------	--	--	--	--	--	--

CHANGE IN REVENUES ()						
------------------------	--	--	--	--	--	--

FUND SOURCE

(Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF		2,378.3	2,381.3	2,379.2	2,380.2	2,381.2
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other						
TOTAL	0.0	2,378.3	2,381.3	2,379.2	2,380.2	2,381.2

Estimate of any current year (FY97) cost \$ 0.0

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS:

Authorizes a lease-purchase agreement for up to \$18,440,000 for a centralized public health lab facility with anticipated annual rent of \$2,420,000 and total rent of \$24,130,000. Bond counsel suggests that the sentence beginning in line 6 of the proposed bill be amended to read: "The State Bond Committee is authorized to provide for the issuance of certificates of participation for, and the Department of Administration is authorized to enter into, a lease purchase agreement for a centralized public laboratory facility to be constructed under the lease-purchase agreement and to be operated by the Department of Health and Social Services." The lease payments shown above are projected at current interest rates over ten years for \$18,440,000 and assume rental payments begin on 8-1-98. These payments are within the amounts anticipated in the proposed bill. If, however, interest rates are projected at current rates plus 75 basis points (.75%/year), the rental payments are projected to exceed the amounts anticipated in the proposed bill. In that event, the amount financed and available for project cost: would have to be reduced by approximately \$410,000.

Prepared by: Forrest R. Browne Phone: 465-3750
 Division: Treasury Date: January 24, 1997
 Approved by Commissioner: Ross A. Kinney *Ross A. Kinney* Date: January 24, 1997
 Agency: Revenue

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Sizing Debt Services Schedule

Dated: 2/1/98
Delivered: 2/1/98

**H&SS Centralized Lnb
Current Interest Rates**

Fiscal Yr	Coupon M YY	Zer Cpn Date	Coupon Rate	Maturing Principal	Periodic Interest	Gross Semi-Annl Dbt Svc	Capitalized Interest	Debt Svc Rav Int & Prin	Contgncy Fnd Int & Prin	Net Semi-Annl Dbt Svc	Net Fiscal Dbt Svc
2	99	8/1/98			439,128.25	439,128.25				439,128.25	
8	99	2/1/99	N	3.800	1,500,000.00	439,128.25	1,939,128.25			1,939,128.25	2,378,252.50
1	2	0	8/1/99		410,628.25	410,628.25				410,628.25	
8	0	2/1/00	N	4.300	1,560,000.00	410,628.25	1,970,628.25			1,970,628.25	2,381,252.50
2	2	1	8/1/00		377,088.25	377,088.25				377,088.25	
8	1	2/1/01	N	4.550	1,625,000.00	377,088.25	2,002,088.25			2,002,088.25	2,379,172.50
3	2	2	8/1/01		340,117.50	340,117.50				340,117.50	
8	2	2/1/02	N	4.650	1,700,000.00	340,117.50	2,040,117.50			2,040,117.50	2,380,235.00
4	2	3	8/1/02		300,592.50	300,592.50				300,592.50	
8	3	2/1/03	N	4.750	1,780,000.00	300,592.50	2,080,592.50			2,080,592.50	2,381,183.00
5	2	4	8/1/03		258,317.50	258,317.50				258,317.50	
8	4	2/1/04	N	4.850	1,865,000.00	258,317.50	2,123,317.50			2,123,317.50	2,381,635.00
6	2	5	8/1/04		213,091.25	213,091.25				213,091.25	
8	5	2/1/05	N	4.950	1,955,000.00	213,091.25	2,168,091.25			2,168,091.25	2,381,182.50
7	2	6	8/1/05		164,705.00	164,705.00				164,705.00	
8	6	2/1/06	N	5.000	2,050,000.00	164,705.00	2,214,705.00			2,214,705.00	2,379,410.00
8	2	7	8/1/06		113,455.00	113,455.00				113,455.00	
8	7	2/1/07	N	5.100	2,150,000.00	113,455.00	2,263,455.00			2,263,455.00	2,378,910.00
9	2	8	8/1/07		58,630.00	58,630.00				58,630.00	
8	8	2/1/08	N	5.200	2,255,000.00	58,630.00	2,313,630.00			2,313,630.00	2,372,260.00
					18,440,000.00	5,351,495.00	23,791,495.00			23,791,495.00	23,791,495.00

True Interest Cost (TIC).....4.9244049
 Net Interest Cost (NIC).....4.9381702
 Arbitrage Yield Limit (AYL).....4.9244049
 Arbitrage Net Interest Cost (ANIC)..... 4.9381702

Prepared by: FORREST R BROWNE, STATE TREAS
 Prepared on: 1/24/97 09:46 8.05 Rpt 14
 Record ID: LAB-1998-P :MUNIDB

Sizing Debt Services Schedule
H&SS Centralized Lab
Current Rates +75bp

Desired: 2/1/98
 Delivered: 2/1/98

Fiscal Yr	Coupon MYY	Zer Date	Coupon Cpn	Rate	Maturing Principal	Periodic Interest	Gross Semi-Annl Dbt Svc	Capitalized Interest	Debt Svc Rsv Int & Prin	Cntgncy Fnd Int & Prin	Net Semi-Annl Dbt Svc	Net Fiscal Dbt Svc
2	99	8/1/98				508,971.25	508,971.25				508,971.25	
8	99	2/1/99	N	4.550	1,450,000.00	508,971.25	1,958,971.25				1,958,971.25	2,467,942.50
1	2	0	8/1/99			475,983.75	475,983.75				475,983.75	
8	0	2/1/00	N	5.050	1,515,000.00	475,983.75	1,990,983.75				1,990,983.75	2,466,987.50
2	2	1	8/1/00			437,730.00	437,730.00				437,730.00	
8	1	2/1/01	N	5.300	1,590,000.00	437,730.00	2,027,730.00				2,027,730.00	2,465,460.00
3	2	2	8/1/01			395,595.00	395,595.00				395,595.00	
8	2	2/1/02	N	5.400	1,675,000.00	395,595.00	2,070,595.00				2,070,595.00	2,466,190.00
4	2	3	8/1/02			350,370.00	350,370.00				350,370.00	
8	3	2/1/03	N	5.500	1,765,000.00	350,370.00	2,115,370.00				2,115,370.00	2,465,740.00
5	2	4	8/1/03			301,832.50	301,832.50				301,832.50	
8	4	2/1/04	N	5.600	1,865,000.00	301,832.50	2,166,832.50				2,166,832.50	2,468,665.00
6	2	5	8/1/04			249,612.50	249,612.50				249,612.50	
8	5	2/1/05	N	5.700	1,970,000.00	249,612.50	2,219,612.50				2,219,612.50	2,469,225.00
7	2	6	8/1/05			193,467.50	193,467.50				193,467.50	
8	6	2/1/06	N	5.750	2,080,000.00	193,467.50	2,273,467.50				2,273,467.50	2,466,935.00
8	2	7	8/1/06			133,667.50	133,667.50				133,667.50	
8	7	2/1/07	N	5.850	2,200,000.00	133,667.50	2,333,667.50				2,333,667.50	2,467,335.00
9	2	8	8/1/07			69,317.50	69,317.50				69,317.50	
0	8	2/1/08	N	5.950	2,330,000.00	69,317.50	2,399,317.50				2,399,317.50	2,468,635.00
						18,440,000.00	6,233,095.00	24,673,095.00			24,673,095.00	24,673,095.00

True Interest Cost (TIC).....5.6770480
Net Interest Cost (NIC).....5.6925841
Arbitrage Yield Limit (AYL).....5.6770480
Arbitrage Net Interest Cost (ANIC)..... 5.6925841

Prepared by: FORREST R BROWNE, STATE TREASURER
 Prepared on: 1/24/97 10:01 8.05 Rpt 14
 Record ID: LAB-1998-R :MUNIDB

**Sizing Debt Services Schedule
H&SS Centralized Lab
+75bp & Reduced Cost**

Dated: 2/1/98
Delivered: 2/1/98

Fiscal Yr	Coupon M YY	Zer Date	Coupon Cpn	Rate	Maturing Principal	Periodic Interest	Gross Semi-Annl Dbt Svc	Capitalized Interest	Debt Svc Rev Int & Prin	Contingency Fnd Int & Prin	Net Semi-Annl Dbt Svc	Net Fiscal Dbt Svc
2	0	8/1/98				497,678.75	497,678.75				497,678.75	
8	0	2/1/99	N	4.550	1,415,000.00	497,678.75	1,912,678.75				1,912,678.75	2,410,357.50
1	2	0	8/1/99			465,487.50	465,487.50				465,487.50	
8	0	2/1/00	N	5.050	1,480,000.00	465,487.50	1,945,487.50				1,945,487.50	2,410,975.00
2	2	1	8/1/00			428,117.50	428,117.50				428,117.50	
8	1	2/1/01	N	5.300	1,555,000.00	428,117.50	1,983,117.50				1,983,117.50	2,411,235.00
3	2	2	8/1/01			388,910.00	388,910.00				388,910.00	
8	2	2/1/02	N	5.400	1,640,000.00	388,910.00	2,028,910.00				2,028,910.00	2,413,820.00
4	2	3	8/1/02			342,630.00	342,630.00				342,630.00	
8	3	2/1/03	N	5.500	1,725,000.00	342,630.00	2,067,630.00				2,067,630.00	2,410,260.00
5	2	4	8/1/03			295,192.50	295,192.50				295,192.50	
8	4	2/1/04	N	5.600	1,820,000.00	295,192.50	2,115,192.50				2,115,192.50	2,410,385.00
6	2	5	8/1/04			244,232.50	244,232.50				244,232.50	
8	5	2/1/05	N	5.700	1,925,000.00	244,232.50	2,169,232.50				2,169,232.50	2,413,465.00
7	2	6	8/1/05			189,370.00	189,370.00				189,370.00	
8	6	2/1/06	N	5.750	2,035,000.00	189,370.00	2,224,370.00				2,224,370.00	2,413,740.00
8	2	7	8/1/06			130,863.75	130,863.75				130,863.75	
8	7	2/1/07	N	5.850	2,155,000.00	130,863.75	2,285,863.75				2,285,863.75	2,416,727.50
9	2	8	8/1/07			67,830.00	67,830.00				67,830.00	
8	8	2/1/08	N	5.950	2,280,000.00	67,830.00	2,347,830.00				2,347,830.00	2,415,660.00
						18,030,000.00	6,096,625.00	24,126,625.00			24,126,625.00	24,126,625.00

True Interest Cost (TIC).....5.6771947
 Net Interest Cost (NIC).....5.6927261
 Arbitrage Yield Limit (AYL).....5.6771947
 Arbitrage Net Interest Cost (ANIC)..... 5.6927261

Prepared by: FORREST R BROWNE, STATE TREAS
 Prepared on: 1/24/97 10:34 8.05 Rpt 14
 Record ID: LAB-1998-U :MUNIDB

New Public
Health
Laboratory

The New Public Health Laboratory

1

New Public
Health
Laboratory

What We Are Proposing

- ▶ New Public Health Laboratory located in Anchorage
- ▶ To include the Medical Examiner's Laboratory and functions of Juneau and Anchorage laboratories
- ▶ Designed and constructed through debt financing (certificates of participation/lease-purchase financing)

2

The unique role of Public Health Laboratories

➤ To assess infectious diseases in
partnership with private laboratories:



- Performing advanced tests for infectious agents with public health implications
- Analyzing for unusual, exotic, rare, sporadic, or hard to test diseases
- Confirming private laboratory tests with unusual results or difficulties
- Assisting private laboratories with difficulties in identifying microbial agents
- Collecting data for targeted disease control

3

The unique role of Public Health Labs (cont.)

➤ Specialized in
disease
surveillance and
recognition of new
and re-emerging
diseases

➤ Can apply critical
state of the art
technology for
rapid testing of
large numbers of
specimens quickly
in face of an
epidemic



4



Examples of how PH Labs benefit the public

- ▶ Epidemic gastroenteritis and contamination of king crab—Dutch Harbor 1991
- ▶ Epidemic Gastroenteritis in the Tourism Industry—May 1992
- ▶ Tuberculosis outbreaks in rural villages—1994/1995
- ▶ Rabies expertise—Pilot Point exposure 1995



Examples of how PH Labs benefit (cont.)

- ▶ Perform tests essential for disease surveillance (including accessibility to indigent high risk populations):

Examples:

Measles	Rubella
Influenzae	Pertussis
Diphtheria	Salmonella/Shigella
Hepatitis B	

Sexually Transmitted Diseases

Syphilis	Chlamydia
HIV	Gonorrhea



Public Health Labs: Mission Statement

- ▶ Essential component of state & national public health systems with a different mission than private laboratories.
- ▶ Provide scientific and technical information for disease prevention.
- ▶ First line of defense in recognizing and controlling spread of communicable diseases.

7

Public Health Labs: Mission Statement (cont.)

- ▶ Accomplish core public health functions and responsibilities in partnership with private and federal laboratories, including:
 - disease control & prevention programs
 - maternal and child health programs
 - environmental health programs
 - epidemiological investigations
 - laboratory quality assurance in Alaska
 - Technology development
 - Diagnostic product evaluation
 - Data collection
 - Laboratory expertise
 - National surveillance link

8

Lab Functions: Don't Privatize When...

- ▶ Service is a core function of government or legal barriers apply
- ▶ Tasks are uncertain, subject to change
- ▶ Value of output is hard to measure
- ▶ Public Laboratory has specialized, hard-to-transfer expertise
- ▶ Process is as important as the result

But Do Privatize When...

- ▶ Performance standards can be established
- ▶ Results are more important than process
- ▶ Outputs are easy to measure
- ▶ Problem labs can be readily replaced
- ▶ Activity is short-term or intermittent
- ▶ Private sector has specialized expertise
- ▶ Privatized activity is successful elsewhere

Why must we build a new laboratory?

Solves Problems

- ◆ Existing Anchorage and Juneau Public Health Labs—*immediate health and safety threat to employees and the public.*
- ◆ The State Medical Examiner—*A permanent home must be found; temporarily occupying space at Dept. of Public Safety Crime Detection Laboratory.*



Why must we build a new laboratory? (cont.)

- ▶ Saves Money
 - ◆ existing leased space would require substantial unrecoverable investment
 - ◆ staff functions are now duplicated at multiple locations
- ▶ Maintains an essential public service more cheaply and more efficiently
 - ◆ Specimens now must be sent to multiple locations

Why must we build a new laboratory? (cont.)

- ▶ New advances require new technologies: A modern, well-designed, adaptable, safe laboratory is a necessity for the demands of the 21st Century.
- ▶ Examples:
 - ◆ DNA testing
 - ◆ Newly emergent diseases

13

What problems will we solve?

- ▶ Current operations are inefficient
(services are fragmented)
- ▶ In leased space or in temporary space
- ▶ Not designed for current operations
(two labs in office spaces)
- ▶ Need work *(laboratories are inadequate and require significant capital investment to maintain)*
- ▶ Expensive *(we can't afford four separate laboratories)*

14

New Public Health Laboratory

Where are the existing laboratories?

Fairbanks
•Public Health Laboratory

•Public Health Laboratory
•State Medical Examiner
Anchorage

Juneau
•Public Health Laboratory

15

New Public Health Laboratory

Existing Laboratory Conditions

Anchorage Public Health Lab:
Leased space; inadequate; not designed as laboratory; requires extensive upgrades.

Fairbanks Public Health Lab:
Leased space; supports current operations but old and inflexible interior space incapable of absorbing additional activities.

Juneau Public Health Lab:
Leased space inadequate; not designed as laboratory; TB testing moved to Anchorage because of safety hazards.

Medical Examiner Lab: Using borrowed space at Dept. of Public Safety's Crime Detection Laboratory in Anchorage. Space is inadequate and needed by Crime Detection Lab.

16



DHSS has long history of analyzing the problems

- We know what the problems are
- We know how to solve them
- We've studied the problems
- We've taken a "Good Government" approach
 - engaged in long range planning
 - analyzed needs and reviewed many alternatives
 - developed a comprehensive, workable solution



There have been many studies and plans



- 1988 (October) - *Study of Laboratory Services for the State of Alaska*
- 1988 (November) - *Public and Consumer Concerns Regarding Laboratory Services*
- 1992 (January) - *Consolidation of Alaska Public Health Laboratories, Alaska Legislative*
- 1992 (February) - *Final Report*
- 1993 - *Final Report of the Public Health Laboratory System, Alaska Division of CDC Operational Review, Centers for Disease Control*
- 1993 (March) - *Alaska Public Health Laboratories Background Information for Foralze Deas, Inc. with Heery International and Cooper Architects*
- 1993 (May) - *State of Alaska Public Health Laboratories Assessment Architecture II*
- 1993 (December) - *Anchorage Public Health Lab Seismic Safety Inspection, Draft Memorandum Report on the subject of seismic safety inspection*
- 1994 (February) - *State of Alaska Public Health Laboratories Strategic Plan Final Report*
- 1994 (April) - *Public Health Laboratory Anchorage Preliminary Program of Request for Proposals*
- 1995 (February) - *Public Health Laboratory Anchorage Phase II Interior Renovations Report*
- 1995 (February) - *Health Hazard Evaluation Report HETA 93 0769-2489, Southcentral Regional Health Center, Anchorage, Alaska*
- 1995 - *State of Alaska Public Health Laboratories Strategic Plan*
 - Public Health Laboratories Strategic Plan
 - Financing a New Public Health Laboratory
 - Centralized Public Health Laboratories Site Selection Considerations
 - Allocated Cost Model Final Draft

New lab would save money & solve problems

- ▶ Solves problem of inadequate Public Health Labs in Juneau and Anchorage
- ▶ Solves problem of permanent housing for Medical Examiner's Lab
- ▶ Increases operational efficiency
- ▶ Saves operating costs

The status quo cannot continue

- ▶ We can't afford four separate labs
- ▶ We don't need four separate labs
- ▶ The current arrangement for the Medical Examiner is untenable—we must find a permanent space

New Public Health Laboratory

SCS HB 529 (HES)— Financing almost approved last year

SENATE

SENATE OF THE HOUSE BILL, NO. 529 (HES)
IN THE LEGISLATURE OF THE STATE OF ALASKA
NINETEENTH LEGISLATURE— SECOND SESSION
BY THE SENATE HEALTH, EDUCATION AND SOCIAL SERVICES COMMITTEE

Introduced: 8/26
Referred: Rules
Sponsor: HOUSE HEALTH, EDUCATION AND SOCIAL SERVICES COMMITTEE

A BILL
FOR AN ACT ENTITLED

1 "An Act giving notice of and approving the terms, and the issuance of
2 certificates of participation in, a lease-purchase agreement for a renovated public
3 health laboratory."

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

5 SECTION 1. NOTICE AND APPROVAL OF THE ENTRY INTO AND FINANCING OF A
6 LEASE-PURCHASE AGREEMENT. The state board of health is authorized to issue
7 certificates of participation for and the Department of Health and Social Services is authorized
8 to enter into a lease-purchase agreement for a renovated public health facility to be
9 constructed under the lease-purchase agreement in order to replace the existing public health
10 laboratories located in Juneau and Anchorage. The anticipated total construction, in general,
11 and other costs of the project are not to exceed \$15,740,000. The total anticipated annual
12 amount of the rental obligation is \$7,987,000. The total anticipated lease payments for the
13 full term of the lease-purchase agreement amount to \$20,574,000. The state shall own the
14 facility at the end of the lease term. This section contains the notice and approval required

H 529-1998
Bill Tracking and Information System

New Public Health Laboratory

Legislature Almost Approved the New Lab

- Authorizing legislation nearly passed the Legislature
 - ◆ Combine Anchorage & Juneau Public Health labs and Medical Examiner into new lab in Anchorage
 - ◆ Fairbanks Public Health Lab to remain operating





Operating Cost Savings (Fiscal Note)

First Year (FY01) Operating Cost Savings (\$1,000's)

Dept. of Health and Social Services	217.6
- Savings in personal svcs., Juneau Lab lease, misc.	
Dept. of Administration	75.4
Savings in Anchorage Lab lease	
Total	293.0



Principal and Financing Costs



1997 Estimate of Costs (10 year financing)

New Laboratory
*Adjusted for inflation and Medical
Examiners assumption of Coroner
responsibilities*

Principal Costs	Max. Annual Debt Service (Rent)	Total Debt Service (Rent)
\$18,440,000	\$2,490,000	\$24,900,000

Building Space Needed



- ▶ Labs moving to new facility now occupy 15,460 gross square feet.
Current space is inadequate/crowded.
- ▶ Current architectural & laboratory standards require 23,400 gross sq. ft.
- ▶ The last Public Health Lab to be built for at least 50 years—must be flexible.

Lab Construction Costs



- ▶ Construction start 1999 @ \$482/sq ft.
- ▶ Costs reflect:
 - ◆ special utility & ventilation requirements
 - ◆ special containment
 - ◆ explosion proof
 - ◆ morgue
 - ◆ security access
 - ◆ high floor loading & floor-ceiling heights



Lab Construction Costs (Cont.)

- ▶ Relatively small project—more expensive on per square foot basis.
- ▶ Excludes design/engineering, equip., financing, project management costs.
- ▶ Comparable to similar Alaska projects
 - ◆ Alaska Native Medical Center Controlled Disease Center (13,439 s.f.)—\$422/s.f.
 - ◆ NOAA Fisheries Laboratory proposed in Juneau (43,794 s.f.)—\$507/s.f.

27

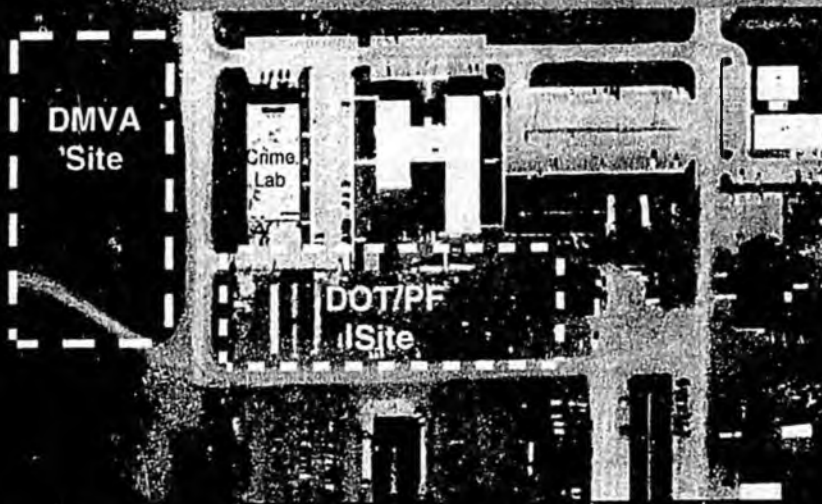
Site Location

- ▶ Medical Examiner needs to be near Public Safety Crime Detection Lab (Crime Lab)
- ▶ Several alternatives for state-owned land are available immediately adjacent to the Crime Lab

28

New Public
Health
Laboratory

Proposed Site Locations





**STATE OF ALASKA
OFFICE OF THE GOVERNOR**

BILL ANALYSIS

DEPARTMENT Health & Social Services	DIVISION	BILL NUMBER HB 66	SPONSOR House HESS
SHORT TITLE OF BILL Centralized Lab Facility			
DEPARTMENT POSIT. ON The Department strongly supports this bill			
PREPARED BY	DATE	COMMISSIONER'S SIGNATURE	DATE

SUMMARY

OTHER AGENCIES AFFECTED BY BILL Department of Public Safety Department of Administration State Bond Committee (Department of Revenue) Office of Management and Budget	CONSTITUENT GROUP(S) AFFECTED BY BILL Health providers Public Health Laboratory employees General Public
ORGANIZATIONAL SUPPORT FOR BILL Alaska Medical Association Department of Public Safety Division of Epidemiology Anchorage Legislative Delegation	ORGANIZATIONAL OPPOSITION TO BILL Local organizations concerned about economic impacts of transfer of jobs to Anchorage or "capital move creep". Potential-public employee unions concerned about effects of transfers on employees.

FISCAL IMPACT: NONE FISCAL NOTE ATTACHED

BACKGROUND/LEGISLATIVE INTENT

The bill would satisfy the requirements of AS 36.30.085 to notify, and obtain approval from, the legislature for lease purchase financing of a new Public Health Laboratory (including Medical facilities) in Anchorage. The Department of Health and Social Services (DHSS) currently operates four laboratories with statewide functions. These include three public health laboratories in inadequate leased space and the Medical Examiner's laboratory temporarily located at the Department of Public Safety's Crime Detection Laboratory in Anchorage. The bill would allow DHSS to consolidate Juneau and Anchorage laboratory functions resulting in operating cost savings, while improving service delivery.

ANALYSIS OF BILL/PROGRAM EFFECTS

The bill would allow DHSS to construct a new Laboratory in Anchorage housing the functions of two current Public Health Laboratories (Anchorage and Juneau) and the Medical Examiner's Laboratory. The Department studied the issues extensively over the last ten years and developed a feasibility study that reviewed alternatives but clearly showed that a new laboratory was the most cost effective means of providing an adequate level of laboratory services. The new laboratory makes economic sense. Moreover, it would enhance services, replace existing poor quality leased space and provide a needed permanent home for the Medical Examiner.

1. **Makes Economic Sense.** Given present financial realities, the current situation is too costly and inefficient. The Department cannot afford to operate four separate laboratories and must find a way to provide an adequate level of services at less cost. The new facility would save operating funds and avoid costs related to the current laboratories and would allow maintenance of an adequate level of services in the future.

AMENDMENTS PROPOSED

None

Analysis of Bill/Program Effects (continued)

Operating savings will arise primarily from lease payments that will no longer be necessary and from a reduction in staff from economies of scale at the consolidated laboratory. Other savings are expected from reduction in duplicative supply and equipment costs. Natural attrition should accommodate the reduction in staff and the Department foresees that it will be able to offer a position to every existing laboratory employee when the new Laboratory opens (although some may have to transfer to Anchorage).

2. Enhance Services. All four existing laboratories serve statewide functions. Centralization of those functions at a new laboratory will improve overall accessibility to those services on a statewide basis. It will also increase coordination and enhance the Department's ability to support epidemiological investigations and disease surveillance and control. Consolidation will also facilitate collaboration by helping to create a critical mass of specialized facilities and laboratory professionals.

3. Replace Poor Quality Leased Space. The state is currently expending over \$300,000 a year in lease payments for the three existing Public Health Laboratories. Two of the laboratories (Anchorage and Juneau) are located in offices that were not designed for the specialized needs of laboratories. To maintain the facilities as laboratories in the future would require specialized upgrades. Some needed improvements are not feasible at any reasonable cost. In any case, making major unrecoverable investments in improvements in aging leased facilities would not be a wise business decision.

4. Provide a Permanent Home for the Medical Examiner. The State Medical Examiner is located temporarily in borrowed space needed by the Department of Public Safety's Crime Detection Laboratory and State Troopers offices. Another solution must be found in the future to provide a permanent home for the Medical Examiner. The proposed new Laboratory will be an ideal location and will help to increase collaboration between the Medical Examiner and Public Health Laboratory functions. The Department wants to locate the facility at the Crime Detection Laboratory site to maintain the necessary close partnership between the Medical Examiner and the Crime Detection laboratory.