

HB

66

HOUSE COMMITTEE REPORT

(7)

Date Referred to Committee: January 15, 1997

FURTHER REFERRALS:

Finance

Date of Committee Action: 2/4/97

The HEALTH, EDUCATION AND SOCIAL SERVICES 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) H+SS, Revenue, Admin APPROVES PREVIOUS: (Dept, Date) _____
 fiscal note(s) H+SS, Revenue, Admin fiscal note(s) _____

zero fiscal note(s) Public Safety zero fiscal note(s) _____

SIGNING WITH RECOMMENDATIONS	DP	DNP	NR	AM
<i>[Signature]</i>	✓			
<i>[Signature]</i>	✓			
<i>[Signature]</i>	✓			
<i>[Signature]</i>	✓			
<i>[Signature]</i>		✓		
<i>[Signature]</i>		✓		

CHAIR'S SIGNATURE *[Signature]*

FISCAL NOTE

STATE OF ALASKA
1997 LEGISLATIVE SESSION

BILL NO.

HB 66

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: Dugan Petty, Director *[Signature]*
 Division: General Services

Phone: 465-2250
 Date: _____

Approved by Commissioner: Mark Boyer *[Signature]*
 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
			5,485	75,519	2,079	73,440	76,044

1997 LEGISLATIVE SESSION

Revision Date _____ Dept. Affected: Public Safety
 Title: Approve Centralized Public Health Lab DPS Statewide Support
 Component: Scientific Crime Detection Laboratory
 Sponsor: H. HESS
 Requestor: H. HESS 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 Tall, Director Phone: 269-5687
 Division: Scientific Crime Detection Laboratory Date: 1/29/97
 Approved by Commissioner: [Signature] Date: 1/27/97
 Agency: Ronald L. Otte, Dept. of Public Safety

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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				(130.8)	(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, \$46.4

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

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

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ANALYSIS (cont.):

PCN 06-1436 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						
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CHANGE IN REVENUES ()						
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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. Those 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 costs 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 Date: January 24, 1997
 Agency: Revenue

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**Sizing Debt Services Schedule
H&SS Centralized Lab
Current Interest Rates**

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 Rsv Int & Prln	Cntgncy Fnd Int & Prln	Net Semi-Annl Dbt Svc	Net Fiscal Dbt Svc
	2	99				439,126.25	439,126.25				439,126.25	
	8	99	N	3.800	1,500,000.00	439,126.25	1,939,126.25				1,939,126.25	2,378,252.5x
1	2	0				410,626.25	410,626.25				410,626.25	
	8	0	N	4.300	1,550,000.00	410,626.25	1,970,626.25				1,970,626.25	2,381,252.5x
2	2	1				377,086.25	377,086.25				377,086.25	
	8	1	N	4.550	1,625,000.00	377,086.25	2,002,086.25				2,002,086.25	2,379,172.5x
3	2	2				340,117.50	340,117.50				340,117.50	
	8	2	N	4.650	1,700,000.00	340,117.50	2,040,117.50				2,040,117.50	2,380,235.0x
4	2	3				300,592.50	300,592.50				300,592.50	
	8	3	N	4.750	1,780,000.00	300,592.50	2,080,592.50				2,080,592.50	2,381,185.0x
5	2	4				258,317.50	258,317.50				258,317.50	
	8	4	N	4.850	1,865,000.00	258,317.50	2,123,317.50				2,123,317.50	2,381,635.0x
6	2	5				213,091.25	213,091.25				213,091.25	
	8	5	N	4.950	1,955,000.00	213,091.25	2,168,091.25				2,168,091.25	2,381,182.5x
7	2	6				164,705.00	164,705.00				164,705.00	
	8	6	N	5.000	2,050,000.00	164,705.00	2,214,705.00				2,214,705.00	2,379,410.0x
8	2	7				113,455.00	113,455.00				113,455.00	
	8	7	N	5.100	2,150,000.00	113,455.00	2,263,455.00				2,263,455.00	2,376,910.0x
9	2	8				58,630.00	58,630.00				58,630.00	
	8	8	N	5.200	2,255,000.00	58,630.00	2,313,630.00				2,313,630.00	2,372,260.0x
						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 TREASURER
 Prepared on: 1/24/97 09:46 8 05 Rpt 14
 Record ID: LAB-1998-P MUNIDR

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

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 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	2,467,042.50
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	2,466,967.50
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	2,468,935.00
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	
8	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 Rsv Int & Prin	Cntgncy Fnd Int & Prin	Net Semi-Annl Dbt Svc	Net Fiscal Dbt Svc
2	99	8/1/98				497,678.75	497,678.75				497,678.75	
8	99	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			386,910.00	386,910.00				386,910.00	
8	2	2/1/02	N	5.400	1,640,000.00	386,910.00	2,026,910.00				2,026,910.00	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	2,413,405.00
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	6,096,025.00	24,126,025.00				24,126,025.00	24,126,025.00

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 TREASURER
 Prepared on: 1/24/97 10:34 8.05 Rpt 14
 Record ID: LAB-1998-U MUNIDB



STATE OF ALASKA
OFFICE OF THE GOVERNOR

BILL ANALYSIS

DEPARTMENT Health & Social Services	DIVISION	BILL NUMBER SB 51	SPONSOR Senate Rules
SHORT TITLE OF BILL Authorize financing for a centralized public health lab			
DEPARTMENT POSITION 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.

CS FOR HOUSE BILL NO. 66(HES)

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTIETH LEGISLATURE - FIRST SESSION

BY THE HOUSE HEALTH, EDUCATION AND SOCIAL SERVICES COMMITTEE

Offered:
Referred:

Sponsor(s): HOUSE HEALTH, EDUCATION AND SOCIAL SERVICES COMMITTEE

A BILL

FOR AN ACT ENTITLED

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

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
6 A LEASE-PURCHASE AGREEMENT. The state bond committee is authorized to provide
7 for the issuance of certificates of participation for, and the Department of Administration is
8 authorized to enter into, a lease-purchase agreement for a centralized public health laboratory
9 facility to be constructed under the lease-purchase agreement and to be operated by the
10 Department of Health and Social Services. The anticipated total construction, acquisition, and
11 other costs of the project are not to exceed \$18,440,000. The total anticipated annual amount
12 of the rental obligation is \$2,490,000. The total anticipated lease payments for the full term
13 of the lease-purchase agreement amount to \$24,900,000. The state shall own the facility at
14 the end of the lease term. This section constitutes the notice and approval required by

AMENDMENT #1 *adopted*

OFFERED IN THE HOUSE

BY REPRESENTATIVE PORTER

TO: HB 66

- 1 Page 1, line 6:
- 2 Delete "issue"
- 3 Insert "provide for the issuance of"

- 4 Page 1, line 12:
- 5 Delete "\$2,420,000"
- 6 Insert "\$2,490,000"

- 7 Page 1, line 13:
- 8 Delete "\$24,130,000"
- 9 Insert "\$24,900,000"

The New Public Health Laboratory

1

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



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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



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Examples of how PH Labs benefit (cont.)

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

Examples:

Measles Rubella
Influenza Pertussis
Diphtheria Salmonella/Shigella
Hepatitis B

Sexually Transmitted Diseases

Syphilis Chlamydia
HIV Gonorrhea



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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.

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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

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Lab Functions: Don't Privatize When...

- Service is a public good or 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

9



But Do Privatize When...

- Performance is important
- 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

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

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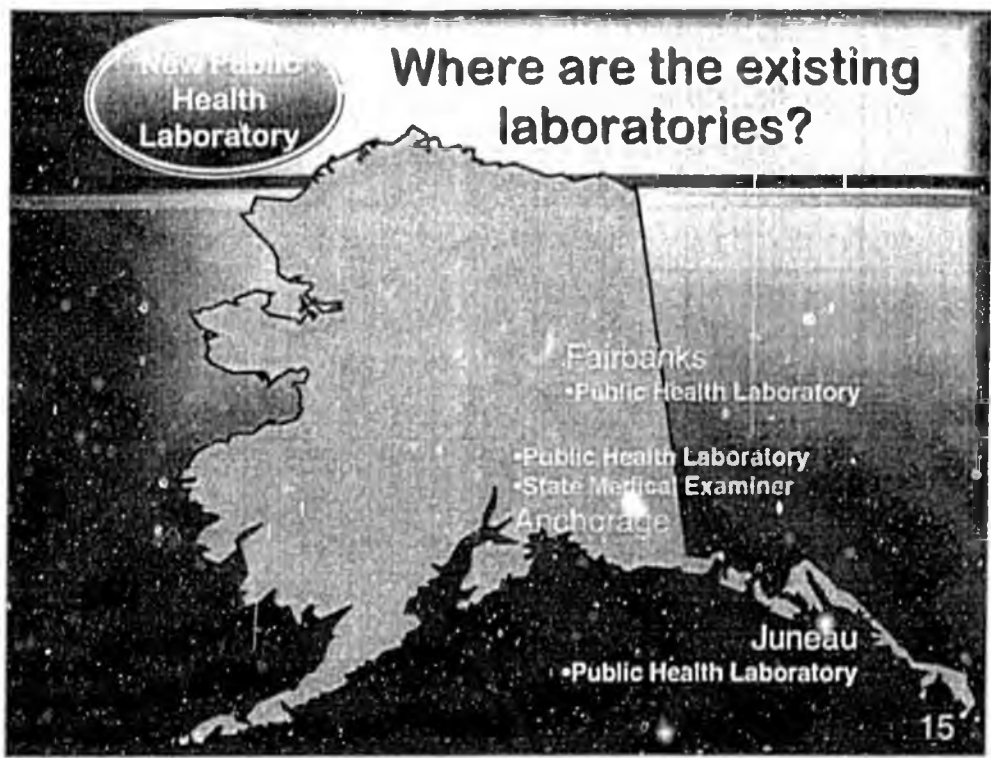
What problems will we solve?

- ▶ Current laboratory is 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*)

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Where are the existing laboratories?



Existing Laboratory Conditions

<p>Anchorage Public Health Lab: Leased space; not designed as laboratory; requires extensive upgrades.</p>	<p>Medical Examiner Lab: Not designed as laboratory; TB testing moved to Anchorage because of safety hazards.</p>
<p>Fairbanks Public Health Lab: Leased space; supports current operations but old and inflexible interior space incapable of absorbing additional activities.</p>	<p>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.</p>



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



- 1982 (July) *Constitution of Alaska Public Health Laboratory, Alaska Legislative Report*
- 1982 (October) *Final Report of the Public Health Laboratory System, Alaska Division of Public Health, Occupational Health, Center for Disease Control*
- 1983 (March) *Alaska Public Health Laboratory, An Interim Organization for Research and Policy Development and Control*
- 1983 (May) *State of Alaska Public Health Laboratory Assessment, Attachment to Health, Citizenship*
- 1983 (November) *Alaska Public Health Laboratory Safety Inspection, Final, Memorandum to Public Health (Final Report II)*
- 1984 (March) *State of Alaska Public Health Laboratory Strategic Plan Final Report, Living, Degrading & Lyland*
- 1984 (August) *Public Health Laboratory Activities, Preliminary Program of Environment in International Report McLean and Cyrenko, Inc.*
- 1985 (January) *Public Health Laboratory, Anchorage, Phase II Interim Assessment Report, McLean & Cyrenko, Inc.*
- 1985 (January) *Public Health Laboratory, Anchorage, Phase II Interim Assessment Report, McLean & Cyrenko, Inc.*
- 1985 (March) *State of Alaska Public Health Laboratory Strategic Plan (Interim Report)*
 - Public Health Laboratory Strategic Plan (Interim Report)
 - Final Report on New Public Health Laboratory
 - Continued Public Health Laboratory, Not Selected Candidates and L. Alameda City 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



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



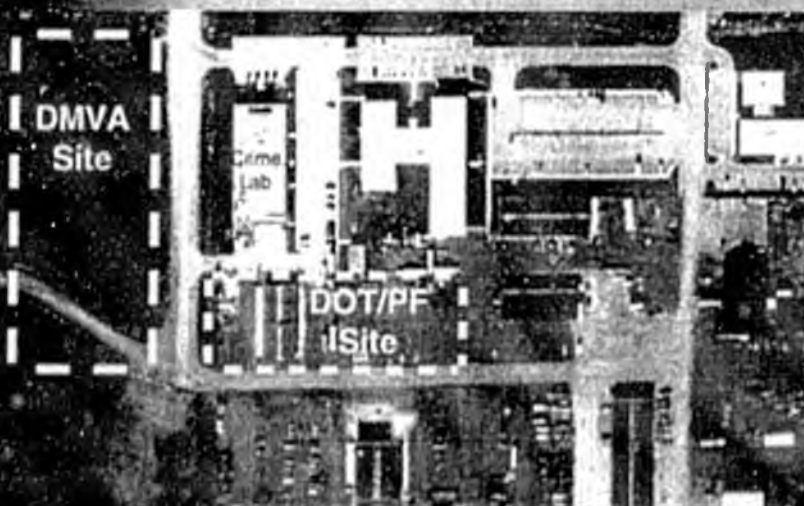
	Principal Costs	Annual Debt Service (Rent)	Total Debt Service (Rent)
1997 Estimate of Costs (10 year financing)			
New Laboratory <i>Adjusted for inflation and Medical Examiner's assumption of Coronel responsibilities</i>	\$18,440,000	\$2,420,000	\$24,130,000

Site Location

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

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Proposed Site Locations



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