

SB

73

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FILE

FISCAL NOTE

STATE OF ALASKA
2005 LEGISLATIVE SESSION

Fiscal Note Number: 4
 Bill Version: CSSB 73(FIN)
 (S) Publish Date: 5/6/05
 Dept. Affected: Health & Social Services

Revision Date/Time (Note if correction):

Title CONSTRUCTION OF A STATE PUBLIC
HEALTH VIROLOGY LAB IN FAIRBANKS

RDU Departmental Support Services

Component: Administrative Support Svcs

Sponsor (RLS) BY REQUEST OF THE
GOVERNOR

Requester SENATE (FIN)

Component No. 320

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

OPERATING EXPENDITURES	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
Personal Services						
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0

CAPITAL EXPENDITURES						
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CHANGE IN REVENUES (0)						
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FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1037 GF/Mental Health						
Other(Specify Type-do not abbreviate)						
Other(Specify Type-do not abbreviate)						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY2005) cost:

Mark this box (X) if funding for this bill is included in the Governor's FY 2006 budget proposal:

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

The legislation identified \$24.2 million in funding for the design, construction and equipping of a state owned and operated virology laboratory in Fairbanks. The funding is comprised of \$24,000,000 in proceeds from the sale of Certificates of Participation (COP); and \$200,000 in investment earning on the COPs.

Annual debt service on the \$24.2 million is estimated at \$2,375,000 using the assumptions of a 15-year term and a true interest cost of 4.09%. Debt service will begin in fiscal year 2007, with total repayment estimated at just under \$35,575,000. The interest rate listed here is an estimate based on current rates. The rate at the time of the sale of the bonds may slightly differ.

An appropriation of debt service in the language section of the annual operating or capital budget will be made to the debt service fund.

Prepared by: Janet Clarke, Assistant Commissioner
 Division: Office of the Commissioner
 Approved by: Joel S. Gilbertson, Commissioner
 Agency: Department of Health and Social Services

Phone: 465-1630
 Date/Time: 05/06/2005
 Date: 05/06/2005

FISCAL NOTE

STATE OF ALASKA
2005 LEGISLATIVE SESSION

Fiscal Note Number: 2
 Bill Version: SB 73
 (S) Publish Date: 1/21/05
 Dept. Affected: Health & Social Services

Revision Date/Time (Note if correction):

Title CONSTRUCTION OF A STATE PUBLIC HEALTH VIROLOGY LAB IN FAIRBANKS

RDU Public Health

Component Public Health Laboratories

Sponsor (RLS) BY REQUEST OF THE GOVERNOR

Requester GOVERNOR

Component No. 2252

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

OPERATING EXPENDITURES	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
Personal Services						
Travel						
Contractual					200.0	200.0
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	0.0	0.0	0.0	0.0	200.0	200.0

CAPITAL EXPENDITURES						
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CHANGE IN REVENUES (0)						
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FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF					200.0	200.0
1037 GF/Mental Health						
Other(Specify Type-do not abbreviate)						
Other(Specify Type-do not abbreviate)						
TOTAL	0.0	0.0	0.0	0.0	200.0	200.0

Estimate of any current year (FY2005) cost: _____

Mark this box (X) if funding for this bill is included in the Governor's FY 2006 budget proposal:

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

The Department is requesting funds for construction of a new virology laboratory in Fairbanks. The project would be financed through Certificates of Participation (COP's). As a result of the project, the operational expenses of the building will increase. The Department currently pays \$150,000 annually to the University under a lease for the cost of building operational expenses. This includes all utilities, building insurance, fire and police protection, waste disposal, custodial, grounds keeping, maintenance and repair, and snow removal. This cost will increase by an estimated \$200,000 annually due to the increased size of the proposed virology laboratory. Since maintenance and repair are included in this amount, the Department will not need to include this building in the Department's overall deferred maintenance capital request when renovation and repair needs arise. The increase will take effect in FY 2010, when the new lab is expected to be completed and occupied by public health staff.

Prepared by: Janet Clarke, Assistant Commissioner Phone 465-1630
 Division Finance and Management Services Date/Time 01/10/2005
 Approved by: Joel S. Gilbertson, Commissioner Date 01/20/2005
 Agency Department of Health and Social Services

FISCAL NOTE

STATE OF ALASKA
2005 LEGISLATIVE SESSION

Fiscal Note Number: 1
Bill Version: SB 73
(S) Publish Date: 1/21/05

Revision Date/Time (Note if correction): _____ Dept. Affected: Revenue
Title: Virology Lab Lease-Purchase RDU: Revenue Programs & Services
Component: Treasury Management
Sponsor: Rules Committee
Requester: Request of the Governor Component No. 121

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

OPERATING EXPENDITURES	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
Personal Services						
Travel	10.0					
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Debt Service		2,370.4	2,373.1	2,371.8	2,372.5	2,371.3
TOTAL OPERATING	10.0	2,370.4	2,373.1	2,371.8	2,372.5	2,371.3

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	10.0	2,370.4	2,373.1	2,371.8	2,372.5	2,371.3
1005 GF/Program Receipts						
1037 GF/Mental Health						
Certificates sale proceeds	0.0					
TOTAL	10.0	2,370.4	2,373.1	2,371.8	2,372.5	2,371.3

Estimate of any current year (FY2005) cost: 0.0

Mark this box (X) if funding for this bill is included in the Governor's FY 2006 budget proposal:

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

This bill authorizes sale of \$24 million in certificates of participation (in a state lease financing obligation) to finance construction of a virology laboratory on the University of Alaska Fairbanks Campus. This fiscal note and analysis contemplates 15-year level debt service, debt issuance costs of 200,000, a competitive sale, and state credit ratings remaining at current levels. The financing could take place 60 to 90 days after authorization became effective.

Financing assumptions include debt service beginning in FY07, and a 4.9% interest rate/true interest cost.

Prepared by: Deven Mitchell Phone 465-3750
Division: Treasury Division Date/Time 1/19/05 1:33 PM
Approved by: Jerry Burnett, Special Assistant to the Commissioner Date 1/19/2005
Agency: Department of Revenue

HB100



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STATE OF ALASKA
OFFICE OF THE GOVERNOR
JUNEAU

January 20, 2005

The Honorable John Harris
Speaker of the House
Alaska State Legislature
State Capitol, Room 208
Juneau, AK 99801-1182

Dear Speaker Harris:

Under the authority of art. III, sec. 18, of the Alaska Constitution, I am transmitting a bill relating to a lease-purchase agreement for the construction, equipping, and financing of a state virology laboratory in Fairbanks, on land provided by the University of Alaska, Fairbanks, to be operated by the Department of Health and Social Services; relating to the issuance of certificates of participation for the laboratory; and relating to the use of certain investment income for certain construction and equipment costs for the laboratory.

It is imperative that Alaska maintain the capacity for rapid and accurate virological laboratory services as a core element of our public health system. Testing for significant diseases of public health concern such as rabies, measles, mumps, rubella, Norovirus, human immunodeficiency virus (HIV), and influenza, and the threat of emerging diseases, including severe acute respiratory syndrome (SARS) and West Nile virus, requires a modern, well-equipped laboratory.

A virology laboratory has been in operation in Alaska since 1948. The existing facility has been located on the University of Alaska, Fairbanks (UAF) campus since 1967. An independent assessment by the Association of Public Health Laboratories and the Centers for Disease Control and Prevention concluded that the existing facility has severe space limitations and the physical plant itself does not provide for the necessary bio-safety containment processes and facilities necessary for virological testing. The assessment team recommended that a new virology laboratory should be built on the UAF campus, which would preserve the existing technical expertise in virology and enhance the collaboration between the UAF and the Department of Health and Social Services.

The state Public Health Laboratory, located in Anchorage and built in 1999, lacks the space and physical infrastructure to perform the services provided by

The Honorable John Harris
January 20, 2005
Page 2

the existing Fairbanks virology laboratory. The Anchorage facility provides testing for diseases caused by bacteria, fungi, tuberculosis, and parasites, as well as analytical chemistry services for clinical diagnostics, forensic toxicology, and bio-monitoring. The Anchorage laboratory is also the only biological-safety-level-three facility in the state and thus serves as the central analytical agency for state and federal biological and chemical terrorism response.

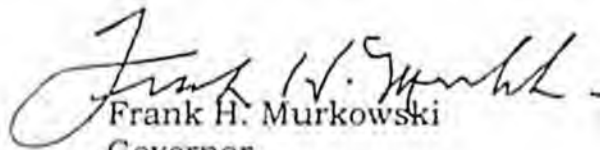
The UAF has agreed to provide land and supporting infrastructure for the new state facility under a long-term lease at no cost. Co-location of the state's virology laboratory on the Fairbanks campus would have many advantages for both academic researchers and public health practitioners. This would include providing additional biological-safety-level-three space that should fulfill the need for surge capacity and provision of basic services in the event of a natural disaster affecting the Anchorage laboratory. It also will provide opportunity for enhanced collaboration with UAF's health research program.

This bill would authorize a lease-purchase agreement under AS 36.30.085, subject to annual appropriation, to finance the new laboratory. It would authorize the state bond committee to issue certificates of participation in the aggregate principal amount of \$24,000,000 for the construction of the virology laboratory. Additionally, the bill would provide that the remaining balance and equipping costs be paid from investment income of \$200,000 earned on the proceeds of the sale of the certificates of participation. The estimated annual amount of rental obligations under the lease-purchase agreement would be \$2,375,000. The estimated total cost of construction, acquisition, and other costs of the project, would be \$24,200,000. An immediate effective date is requested in the bill.

Your support for this virology laboratory would further Alaska's commitment to provide a modern public health system.

I urge your prompt and favorable action on this measure.

Sincerely yours,


Frank H. Murkowski
Governor

Enclosure

STATE OF ALASKA

DEPT. OF HEALTH AND SOCIAL SERVICES

OFFICE OF THE COMMISSIONER

FRANK H. MURKOWSKI, GOVERNOR

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March 3, 2005

Honorable Kevin Meyer, Co-Chair
House Finance Committee
Alaska State Capitol; Rm. 515
Juneau, AK 99801

Dear Representative Meyer,

The Department of Health and Social Services respectfully requests a hearing in the House Finance Committee on House Bill 100 "An Act relating to a lease-purchase agreement for the construction, equipping, and financing of a state virology laboratory in Fairbanks, on land provided by the University of Alaska, Fairbanks, to be operated by the Department of Health and Social Services; relating to the issuance of certificates of participation for the laboratory; relating to the use of certain investment income for certain construction and equipment costs for the laboratory; and providing for an effective date."

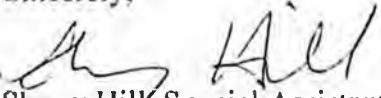
This bill would authorize the construction of a public health virology laboratory to replace the existing substandard Fairbanks facility.

The House State Affairs Committee has heard the bill and recommends it be replaced with CS HB 100 (STA). The House Health, Education, and Social Services Committee also has heard the bill and recommends the House (STA) Committee Substitute. The department supports the House State Affairs Committee amendments.

A copy of Governor Murkowski's transmittal letter providing additional information on the project and the associated fiscal notes should be on file with the committee.

Your favorable consideration of this request will be appreciated.

Sincerely,


Sherry Hill, Special Assistant
Office of the Commissioner

cc: Kevin Jardell, Legislative Director
Office of the Governor

Dr. Richard Mandsager, Director
Division of Public Health



PUBLIC HEALTH

**PROTECTING AND PROMOTING THE
HEALTH OF ALL ALASKANS**

HB 100: Construction of a State Public Health Virology Laboratory in Fairbanks

Presentation to the House State Affairs Committee

February 22, 2005

Richard Mandsager, M.D., Director

Alaska Department of Health & Social Services

Division of Public Health

The Alaska State Virology Laboratory

- Provides specialized testing services for the purpose of diagnosing human and animal viral infections, such as
 - Influenza
 - Rabies
 - Hepatitis A, B and C
 - HIV
 - SARS
 - West Nile Virus
 - Norovirus
 - Measles
 - Mumps
 - Rubella



- Tested 36,267 specimens in FY 04
- FY 05 GF Budget = \$991.0

PUBLIC HEALTH

PROTECTING AND PROMOTING THE
HEALTH OF ALL ALASKANS

Current Fairbanks Virology Laboratory

- Located on UAF Campus since 1967
- 5,255 sq. ft. in Cold War-era Building
- Problem:
 - Severe space limitations
 - Inadequate lighting and ventilation
 - Fails to meet today's laboratory building and ADA accessibility standards
 - Potential for future eviction
 - "an accident waiting to happen"



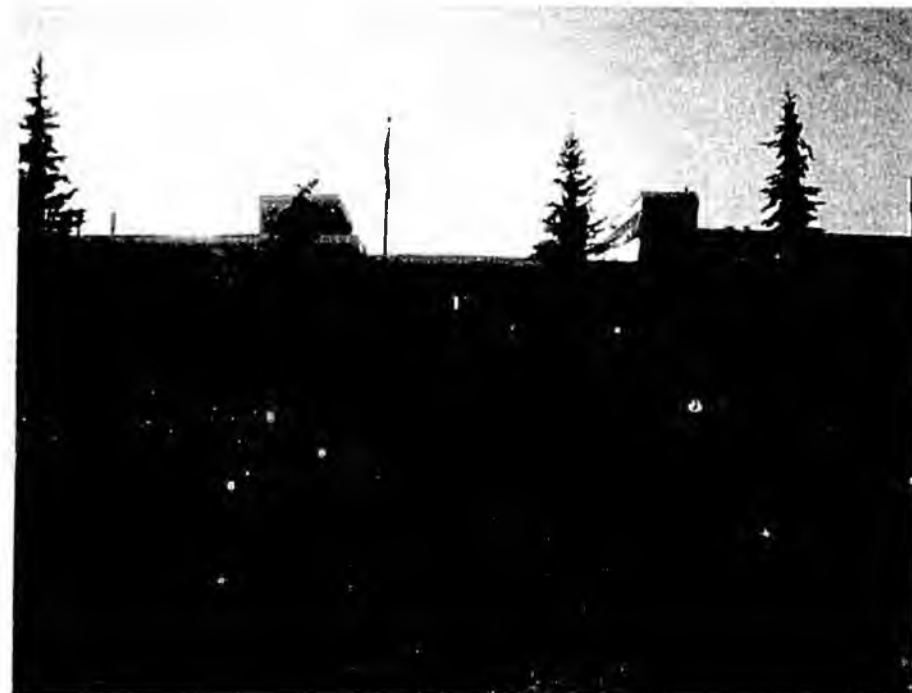
PUBLIC HEALTH

PROTECTING AND PROMOTING THE
HEALTH OF ALL ALASKANS

Proposed Virology Laboratory Solution

- **Collaboration with UAF on a new Laboratory Facility in Fairbanks**

- Provides critical laboratory capacity for rapid identification of known and “new” viruses
- Provides redundant and surge capacity in the event of a terrorist attack or natural disaster
- Retains valuable trained and experienced scientific staff resources



- Facilitates sharing of ideas and new knowledge between UAF Health Research Program and DHSS

HB 100: Construction of a State Public Health Virology Laboratory in Fairbanks

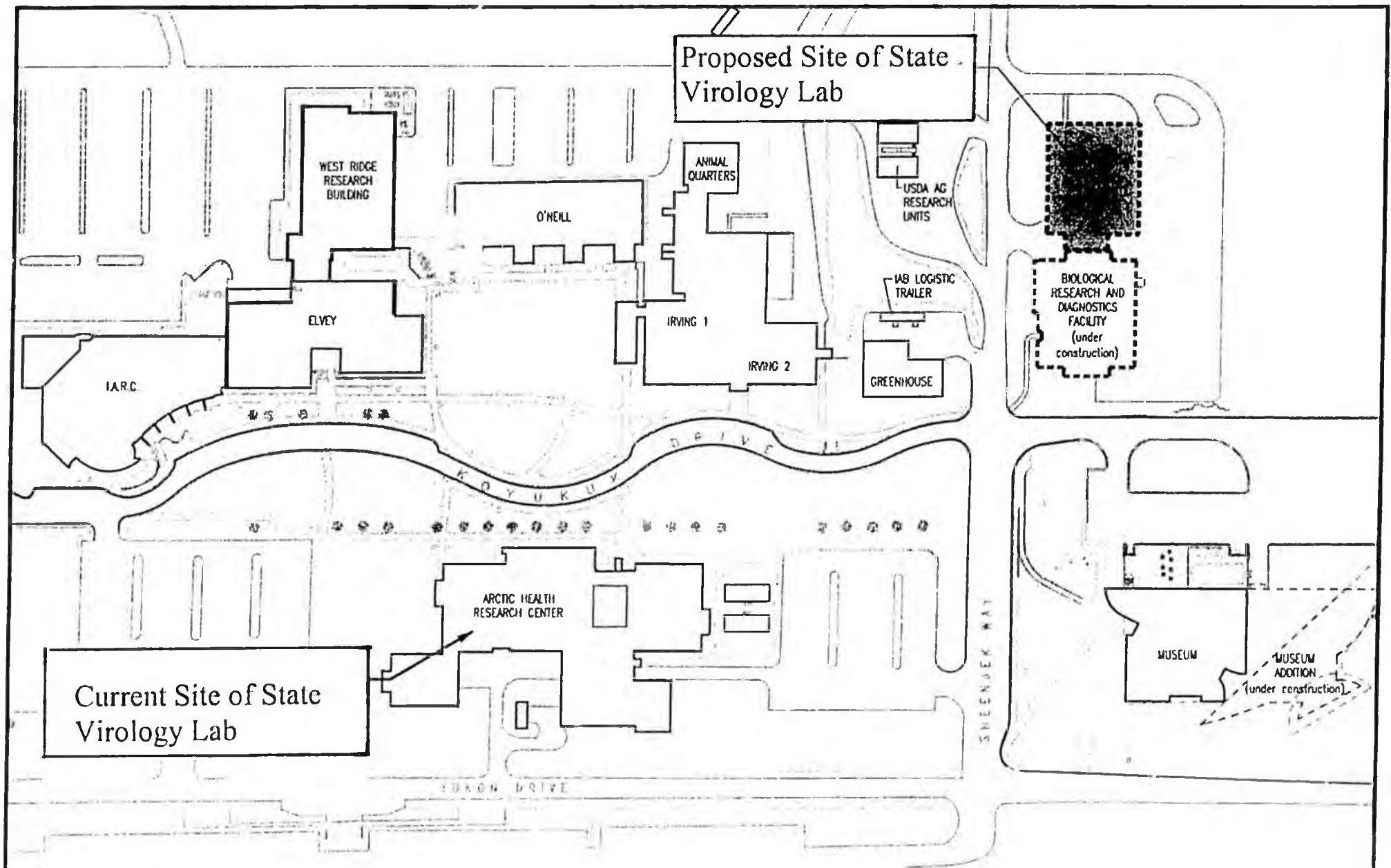
- **Cost: \$24.2 Million for**
 - Design
 - Construction
 - Equipping
- **Financing: Certificates of Participation (COPs)**
- **Annual Lease-Purchase (estimated)**
 - 15-year term
 - 4.90% interest
 - \$2,375.0/year



- **Long term land lease negotiated with UAF (no cost)**

PUBLIC HEALTH

PROTECTING AND PROMOTING THE
HEALTH OF ALL ALASKANS



Proposed Site of State Virology Lab

Current Site of State Virology Lab

BIOLOGICAL RESEARCH AND DIAGNOSTICS FACILITY (under construction)

MUSEUM ADDITION (under construction)

**UAF WEST RIDGE
PROPOSED SITE of STATE VIROLOGY LAB**

NTS