

**SB**

**73**

**SFIN**

**FILE**

SENATE FINANCE COMMITTEE REPORT

REPORTED OUT  
MAY 6 2005  
SENATE FINANCE  
COMMITTEE

DATE: 2/14/05

FURTHER:

DATE TURNED  
IN TO OFFICE: 6 May 2005

Finance Committee considered

SENATE BILL NO. 73

SB 73 STATE VIROLOGY LABORATORY

"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."

and recommends:

- be replaced with \_\_\_\_\_ CS SB 73 (FIN)
- adopt previous \_\_\_\_\_ CS CS forthcoming (\_\_\_\_\_)
- attached amendment(s)
- adopt Letter of Intent by \_\_\_\_\_ Committee
- further referral to \_\_\_\_\_ Committee

**Senate Bill:**  
 Same Title  
 New Title

**House Bill:**  
 Same Title  
 Technical Title Change  
 New Title w/ SCR # \_\_\_\_\_

NEW FISCAL NOTE(S):

Department	Date	Fiscal	Ind.	Zero	FN#

*f/n forthcoming zero*

*DHSS Admin Svcs*

PREVIOUS FISCAL NOTE(S):

Department	Date	Fiscal	Ind.	Zero	FN#
Revenue	1/19/05	10.0			#1
HSS Public Health	1/20/05	FY10		✓	#2

APPROPRIATION - no fiscal note

SIGNATURES AND RECOMMENDATIONS:	DO PASS	DO NOT PASS	NO REC	AMEND
<i>[Signature]</i>			✓	
<i>[Signature]</i>			✓	
<i>[Signature]</i>			✓	
<i>[Signature]</i>			✓	
COCHAIR: <i>[Signature]</i>	✓			
COCHAIR: <i>[Signature]</i>	✓			

MAY 6 2005

SENATE FINANCE  
COMMITTEE

# 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
<b>TOTAL OPERATING</b>	<b>10.0</b>	<b>2,370.4</b>	<b>2,373.1</b>	<b>2,371.8</b>	<b>2,372.5</b>	<b>2,371.3</b>

<b>CAPITAL EXPENDITURES</b>						
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<b>CHANGE IN REVENUES ( )</b>						
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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					
<b>TOTAL</b>	<b>10.0</b>	<b>2,370.4</b>	<b>2,373.1</b>	<b>2,371.8</b>	<b>2,372.5</b>	<b>2,371.3</b>

Estimate of any current year (FY2005) cost: 00

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

# FISCAL NOTE

REPORTED OUT

MAY 6 2005

**STATE OF ALASKA**  
**2005 LEGISLATIVE SESSION**

Fiscal Note Number: FINANCE  
Bill Version: COMMITTEE SB73CS(FIN)-DHSS-FMS-05-06-05  
( ) Publish Date: \_\_\_\_\_

Revision Date/Time (Note if correction): \_\_\_\_\_

Dept. Affected: Health & Social Services

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						
<b>TOTAL OPERATING</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

<b>CAPITAL EXPENDITURES</b>						
<b>CHANGE IN REVENUES (0)</b>						

**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)						
<b>TOTAL</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

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 Con. onor  
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

FY 2005

# FISCAL NOTE

STATE OF ALASKA  
2005 LEGISLATIVE SESSION

Fiscal Note Number: 2  
Bill Version: SB 73  
( S ) Publish Date: 1/21/05

SENATE FINANCE  
COMMITTEE

Revision Date/Time (Note if correction):

Dept. Affected: Health & Social Services

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						
<b>TOTAL OPERATING</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>200.0</b>	<b>200.0</b>

<b>CAPITAL EXPENDITURES</b>						
-----------------------------	--	--	--	--	--	--

<b>CHANGE IN REVENUES (0)</b>						
-------------------------------	--	--	--	--	--	--

**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)						
<b>TOTAL</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>200.0</b>	<b>200.0</b>

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 (COPs). 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  
Division: Finance and Management Services  
Approved by: Joel S. Gilbertson, Commissioner  
Agency: Department of Health and Social Services

Phone 465-1630  
Date/Time 01/10/2005  
Date 01/20/2005



Official Business

# Alaska State Senate

## Senate Finance Committee

\* RUSH \*

Mail Stop 3100  
State Capitol  
Juneau, Alaska 99801-1182

### FAX COVER SHEET

DATE: 6 May 2005 TIME: 10:05 am

TO: Legal Services

NUMBER OF PAGES, INCLUDING COVER SHEET: 1

FROM: MINDY ROWLAND  
SENATE FINANCE COMMITTEE SECRETARY  
PHONE: 465-4935  
FAX: 465-2187

NOTES: Final Please

CS SB 73 (FIN) 24-GS1117\F

Bannister 5/5/05

no changes

Thanks

Mindy

Scheduled for Senate floor  
today

24-GS1117F  
Bannister  
5/5/05

**CS FOR SENATE BILL NO. 73(FIN)**  
**IN THE LEGISLATURE OF THE STATE OF ALASKA**  
**TWENTY-FOURTH LEGISLATURE - FIRST SESSION**

**BY THE SENATE FINANCE COMMITTEE**

**Offered:**  
**Referred:**

**Sponsor(s): SENATE RULES COMMITTEE BY REQUEST OF THE GOVERNOR**

**A BILL**  
**FOR AN ACT ENTITLED**

1 "An Act relating to a lease-purchase agreement for the construction, equipping, and  
2 financing of a state virology laboratory to be operated by the Department of Health and  
3 Social Services; relating to the issuance of certificates of participation for the  
4 laboratory; relating to the use of certain investment income for certain construction and  
5 equipment costs for the laboratory; and providing for an effective date."

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

7 \* Section 1. The uncodified law of the State of Alaska is amended by adding a new section  
8 to read:

9 INTENT. It is the intent of the legislature that the amount of money to be used for the  
10 construction and equipping of a new state virology laboratory is \$24,200,000. Of that  
11 amount, it is the intent of the legislature that

12 (1) \$24,000,000 shall come from the proceeds of the certificates of  
13 participation to be issued by the state bond committee under sec. 2 of this Act; and

1 (2) \$200,000 shall come from the investment income earned on the proceeds  
2 of the sale of the certificates of participation described in sec. 2 of this Act.

3 \* Sec. 2. The uncodified law of the State of Alaska is amended by adding a new section to  
4 read:

5 NOTICE AND APPROVAL OF ENTRY INTO AND FINANCING OF A LEASE-  
6 PURCHASE AGREEMENT. (a) Subject to annual appropriation, the Department of  
7 Administration is authorized to enter into a lease-purchase agreement for a state virology  
8 laboratory to be constructed under the lease-purchase agreement and to be operated by the  
9 Department of Health and Social Services.

10 (b) The state bond committee is authorized to provide for the issuance of certificates  
11 of participation in one or more series in the aggregate principal amount of \$24,000,000 for  
12 the construction of a state virology laboratory under the lease-purchase agreement authorized  
13 in (a) of this section. The remaining balance of the construction and equipping costs shall be  
14 paid from investment income of \$200,000 earned on the proceeds of the sale of the  
15 certificates of participation. The estimated total cost of construction, acquisition, and other  
16 costs of the project is \$24,200,000. The estimated annual amount of rental obligations under  
17 the lease-purchase agreement is \$2,375,000. The estimated total lease payment for the full  
18 term of the lease-purchase agreement is \$35,572,890. In this subsection, "cost of  
19 construction" includes credit enhancement and underwriting expenses, rating agency fees,  
20 bond counsel fees, financial advisor fees, printing fees, advertising fees, capitalized interest,  
21 and interest earnings used for lease payments.

22 (c) The state bond committee may contract for credit enhancement, underwriting,  
23 credit ratings, bond counsel, financial advisor, printing, advertising, and trustee services that  
24 the committee considers necessary in financing the project described in this section.

25 \* Sec. 3. The uncodified law of the State of Alaska is amended by adding a new section to  
26 read:

27 APPROVAL OF AGREEMENT. Section 2 of this Act constitutes the approval  
28 required by AS 36.30.085.

29 \* Sec. 4. This Act takes effect immediately under AS 01.10.070(c).



# **PUBLIC HEALTH**

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

## **CSSB 73 (HES): Construction of a State Public Health Virology Laboratory in Fairbanks**

**Presentation to the Senate Finance Committee**

May 6, 2005

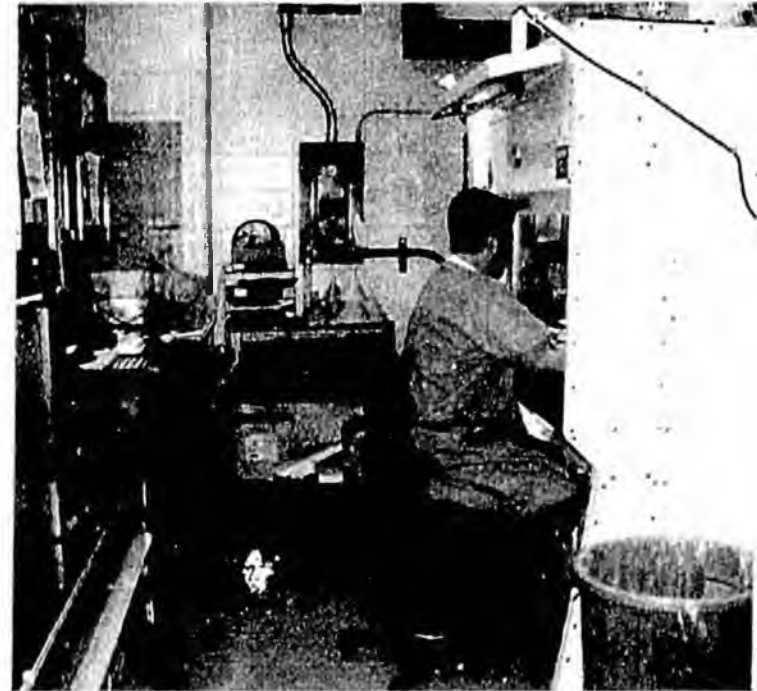
Richard Mandsager, M.D., Director

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”



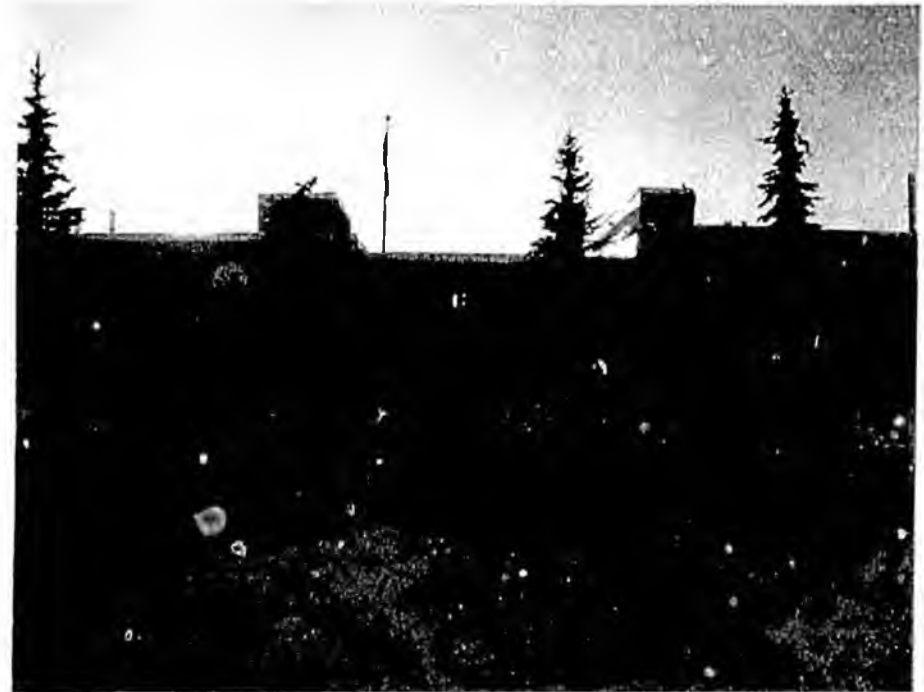
**PUBLIC HEALTH**

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

**PUBLIC HEALTH**

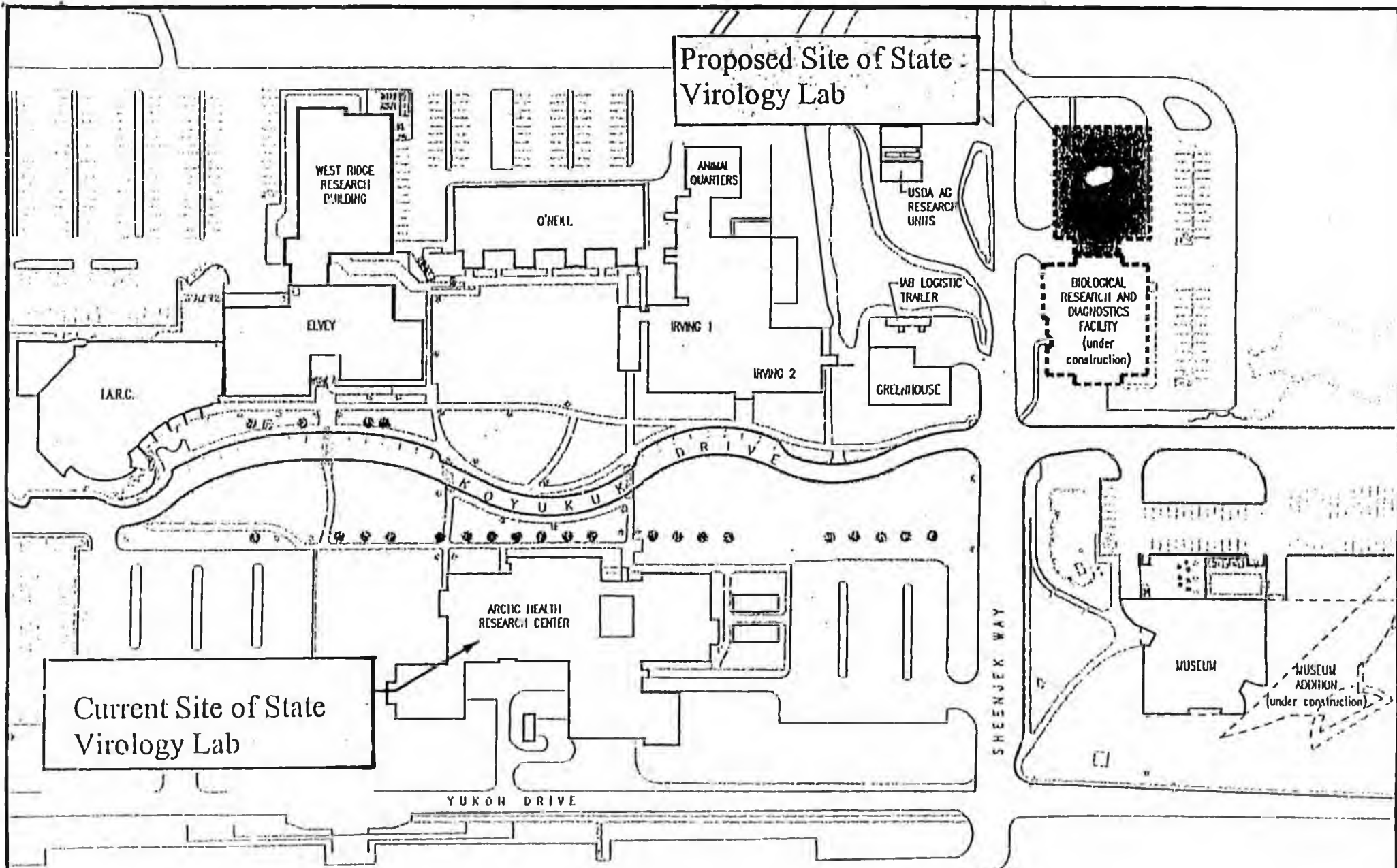
PROTECTING AND PROMOTING THE  
HEALTH OF ALL ALASKANS

# CSSB 73 (HES): 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)**



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

# SENATE COMMITTEE REPORT

## First Committee of Referral

DATE: 1/21/05

FURTHER: Finance

Date of 5-Day Notice: 2/3/05  
(in accordance with Uniform Rule 23)

DATE TURNED  
IN TO OFFICE: 2.11.05

Health, Education and Social Services Committee considered

SENATE BILL NO. 73

### SB 73 STATE VIROLOGY LABORATORY

"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."

and recommends:

- be replaced with \_\_\_\_\_ CS SB 73 (HES)
- adopt previous \_\_\_\_\_ CS \_\_\_\_\_ (\_\_\_\_\_)
- attached amendment(s)
- adopt Letter of Intent by \_\_\_\_\_ Committee
- further referral to \_\_\_\_\_ Committee

<b>Senate Bill:</b>	
<input type="checkbox"/>	Same Title
<input checked="" type="checkbox"/>	New Title
<b>House Bill:</b>	
<input type="checkbox"/>	Same Title
<input type="checkbox"/>	Technical Title Change
<input type="checkbox"/>	New Title w/ SCR # _____

**NEW FISCAL NOTE(S):**

Department	Date	Fiscal	Indet.	Zero	FN#

**PREVIOUS FISCAL NOTE(S):**

Department	Date	Fiscal	Indet.	Zero	FN#
REV	1/19	X			1
HSS	1/20	X			2
HSS	1/20	X			3

APPROPRIATION - no fiscal note

SIGNATURES AND RECOMMENDATIONS:	DO PASS	DO NOT PASS	NO REC	AMEND
Elton <i>[Signature]</i>			✓	
Wilken <i>[Signature]</i>	✓			
Olson <i>[Signature]</i>			✓	
Dyson CHAIR: <i>[Signature]</i>	✓			

SB 73



FRANK H. MURKOWSKI  
GOVERNOR  
GOVERNOR@GOV.STATE.AK.US

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STATE OF ALASKA  
OFFICE OF THE GOVERNOR  
JUNEAU

January 20, 2005

The Honorable Ben Stevens  
President of the Senate  
Alaska State Legislature  
State Capitol, Room 111  
Juneau, AK 99801-1182

Dear President Stevens:

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

**COMMITTEE COPY**

The Honorable Ben Stevens

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.

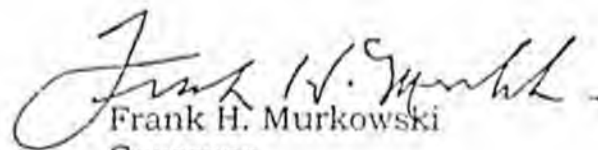
The UAF has agreed to provide land and supporting infrastructure for the new state facility under a long-term lease at no cost. Co-location of the state's virology laboratory on the Fairbanks campus would have many advantages for both academic researchers and public health practitioners. This would include 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