

SB

73

STATE OF ALASKA

DEPT. OF HEALTH AND SOCIAL SERVICES

OFFICE OF THE COMMISSIONER

FRANK H. MURKOWSKI, GOVERNOR

PO. BOX 110601
JUNEAU ALASKA 99811-0601
PHONE (907) 465-3030
FAX (907) 465-3068

January 24, 2004

Honorable Fred Dyson, Chairman
Senate Health, Education and
Social Services Committee
Alaska State Capitol; Rm. 121
Juneau, AK 99801

Dear Senator Dyson,


The Department of Health and Social Services respectfully requests a hearing in the Senate Health, Education, and Social Services Committee on Senate Bill 73 "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, Fairbank 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.

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



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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.

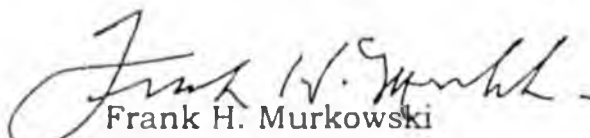
The UAF has agreed to provide land and supporting infrastructure for the new state facility under a long-term lease at no cost. Co-location of the state's virology laboratory on the Fairbanks campus would have many advantages for both academic researchers and public health practitioners. This would include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

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

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 (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 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: 3
 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 Departmental Support Services
 Component Administrative Support Svcs

Sponsor (RLS) BY REQUEST OF THE GOVERNOR

Requester GOVERNOR

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		2,375.0	2,375.0	2,375.0	2,375.0	2,375.0
TOTAL OPERATING	0.0	2,375.0	2,375.0	2,375.0	2,375.0	2,375.0

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		2,375.0	2,375.0	2,375.0	2,375.0	2,375.0
1037 GF/Mental Health						
Other(Specify Type-do not abbreviate)						
Other(Specify Type-do not abbreviate)						
TOTAL	0.0	2,375.0	2,375.0	2,375.0	2,375.0	2,375.0

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:

X

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: Finance and Management Services

Approved by: Joel S. Gilbertson, Commissioner

Agency: Department of Health and Social Services

Phone 465-1630

Date/Time 01/18/2005

Date 01/20/2005

COMMITTEE COPY

State of Alaska

Department of Health & Social Services

Frank H. Murkowski
Governor
P.O. Box 110001
Juneau, Alaska 99811-0001
FACT SHEET



Joel Gilbertson
Commissioner
907-465-3030
FAX: 907-465-3068
www.hss.state.ak.us

January 21, 2005

New Fairbanks Virology Lab to Continue Vital Testing

Details:

- The State Public Health Laboratories tested 75,086 specimens in FY04, of which 36,267 (48%) specimens were tested in the Fairbanks Virology Laboratory.
- Virology testing will cost the state \$991,000 in GF for the current fiscal year, yet provides nearly \$2 million worth of services.
- The Alaska State Virology Laboratory (ASVL) tests specimens from human and some animal sources for infectious diseases caused by viruses. Examples include rabies, influenza, SARS, West Nile Virus, Norovirus, hepatitis, HIV, measles, mumps and rubella.
- The safe and efficient operation of a State Virology Laboratory is vital to the detection, treatment and control of highly infectious and serious diseases in Alaska. Additionally, the Laboratory is a member of the Pacific Basin Respiratory Research Group and the World Health Organization (WHO) Influenza Centers of the Americas, providing vital information for the yearly make-up of the influenza vaccines.

History:

- The Fairbanks lab has been on the University of Alaska Fairbanks campus since 1967. It currently occupies 5,255 square feet in a Cold War-era building.
- An independent assessment by the Association of Public Health Laboratories (APHL) and the Centers for Disease Control and Prevention (CDC) noted:
 - "The physical facility at the ASVL is marginally adequate considering the importance of the virology testing being conducted. Not only are there severe space limitations, the physical plant itself is inadequate to deliver the necessary bio-safety containment processes and facilities necessary for virological testing."
- The State Public Health Laboratory in Anchorage was built in 1999 and lacks the space and physical infrastructure to absorb the services provided by the Fairbanks lab. 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 biomonitoring. When the new Anchorage lab opened there was room for expansion, but that has been consumed by the growth in bioterrorism prevention and identification missions.

-more-

- The Anchorage laboratory is the only Biological Safety Level (BSL) 3+ facility in Alaska and thus serves as the central analytical agency for state and federal biological and chemical terrorism response.
- Routine virology functions plus changes in technology and emergence of new viral agents were always anticipated to require more space than what is available in Anchorage. Heightened concerns of environmental and food contaminants and new responsibilities associated with terrorism and homeland security have further changed requirements for the Anchorage laboratory.

FY06 Proposal:

- The Department has made a \$24.2 million capital budget request to replace the existing virology lab on the UAF campus.
- Replacement of the facility will ensure the citizens of Alaska continued, safe and high-quality virology laboratory services.
- Co-location of the Alaska State Virology Laboratory on the UAF campus will result in increased collaboration and scientific expertise of both academic researchers and public health practice. The developing human and genetics missions of UAF provide a natural fit for a state public health lab located on the same campus (this mission emphasis of UAF is new in recent years).
- Keeping two separate state labs will give the state surge capacity and redundancy in case the facility in either Fairbanks or Anchorage is damaged in an earthquake.
- Replacement in Fairbanks keeps the highly skilled workforce in place. Transfer of the functions to Anchorage would most likely mean the loss of those individuals (some of whom would be incredibly hard to replace) to research labs in UAF.

-30-

Contact: Dr. Bernd Jilly, Chief, Section of Laboratories (voice: 907-334-2109; e-mail: bernd_jilly@health.state.ak.us)

STATE OF ALASKA

DEPARTMENT of HEALTH & SOCIAL SERVICES
DIVISION of PUBLIC HEALTH

FRANK H. MURKOWSKI, GOVERNOR

OFFICE OF THE DIRECTOR
P.O. BOX 110610
JUNEAU, AK 99811-0610
PHONE: (907) 465-3090
FAX: (907) 465-4632

February 9 2005

The Honorable Fred Dyson
Alaska State Senate
State Capitol Room 121
Juneau, AK 99801-1182

Dear Senator Dyson,

Enclosed is an amendment to SB 73, related to the construction of a new state virology laboratory in Fairbanks, for consideration by the HESS Committee.

The original language of the bill states that the laboratory will be built on land provided by the University. Since the University is a land grant college and also holds title to the property, the Legislature does not have the power to direct the University as to the use of their property. This amendment makes a few minor adjustments to change references to the University providing the land, to the state leasing the land. On that issue, we have negotiated an agreement with the University for a no-cost lease should this legislation pass.

Thank you for your consideration and assistance in advancing the proposed amendment. Please contact me if you have any questions.

Sincerely,



Richard Mandsager, M.D.
Director, Division of Public Health

enclosure

2AG-1
2/4/2005
(11:11 AM)

A M E N D M E N T

OFFERED IN THE SENATE HEALTH, EDUCATION AND SOCIAL SERVICES COMMITTEE BY _____
AND SOCIAL SERVICES COMMITTEE
TO: SB 73

- 1 Page 1, lines 2 - 3:
- 2 Delete "on land provided by the University of Alaska, Fairbanks,"
- 3
- 4 Page 1, line 11:
- 5 Delete "provided"
- 6 Insert "leased from"
- 7
- 8 Page 1, line 12:
- 9 Delete "by"



PUBLIC HEALTH

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

SB 73: Construction of a State Public Health Virology Laboratory in Fairbanks

Presentation to the Senate HESS Committee

February 9, 2005

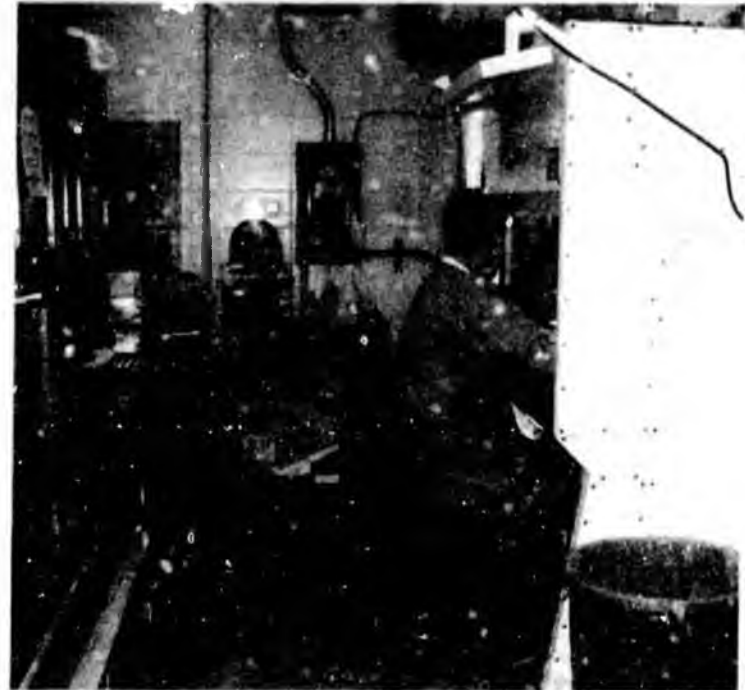
Richard Mandsager, M.D., Director

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

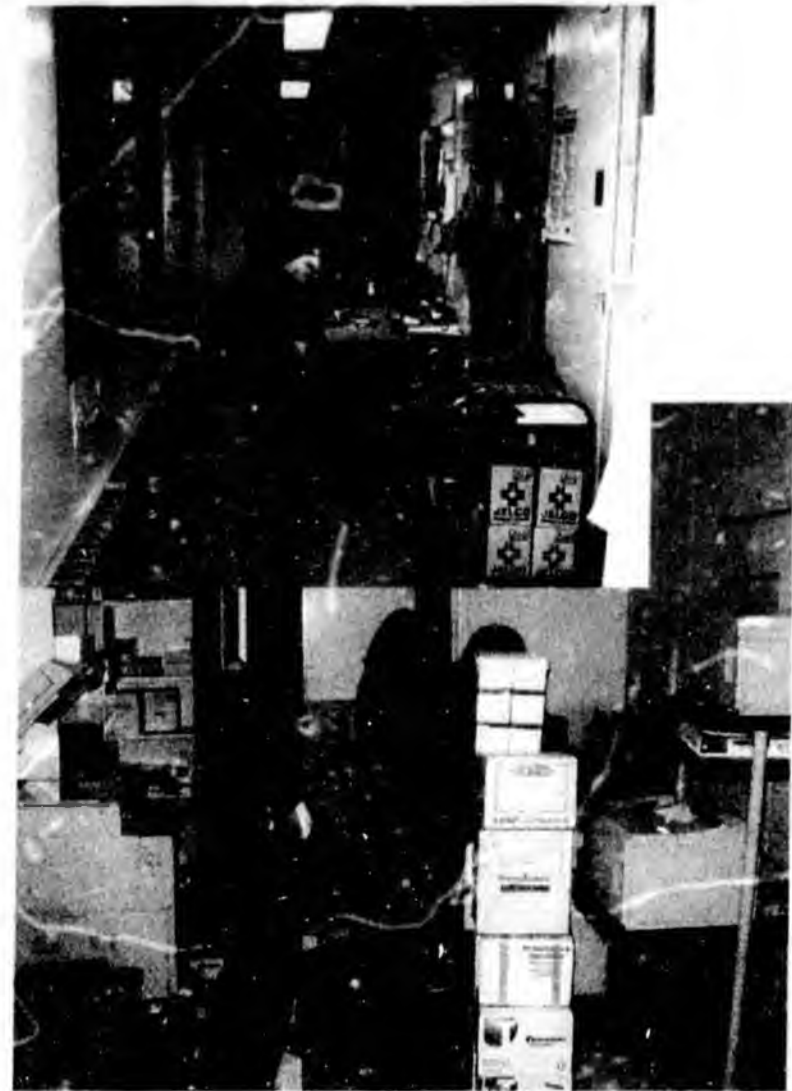


- Tested 36,267 specimens in FY 04
- FY 05 GF Budget = \$991.0

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”



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



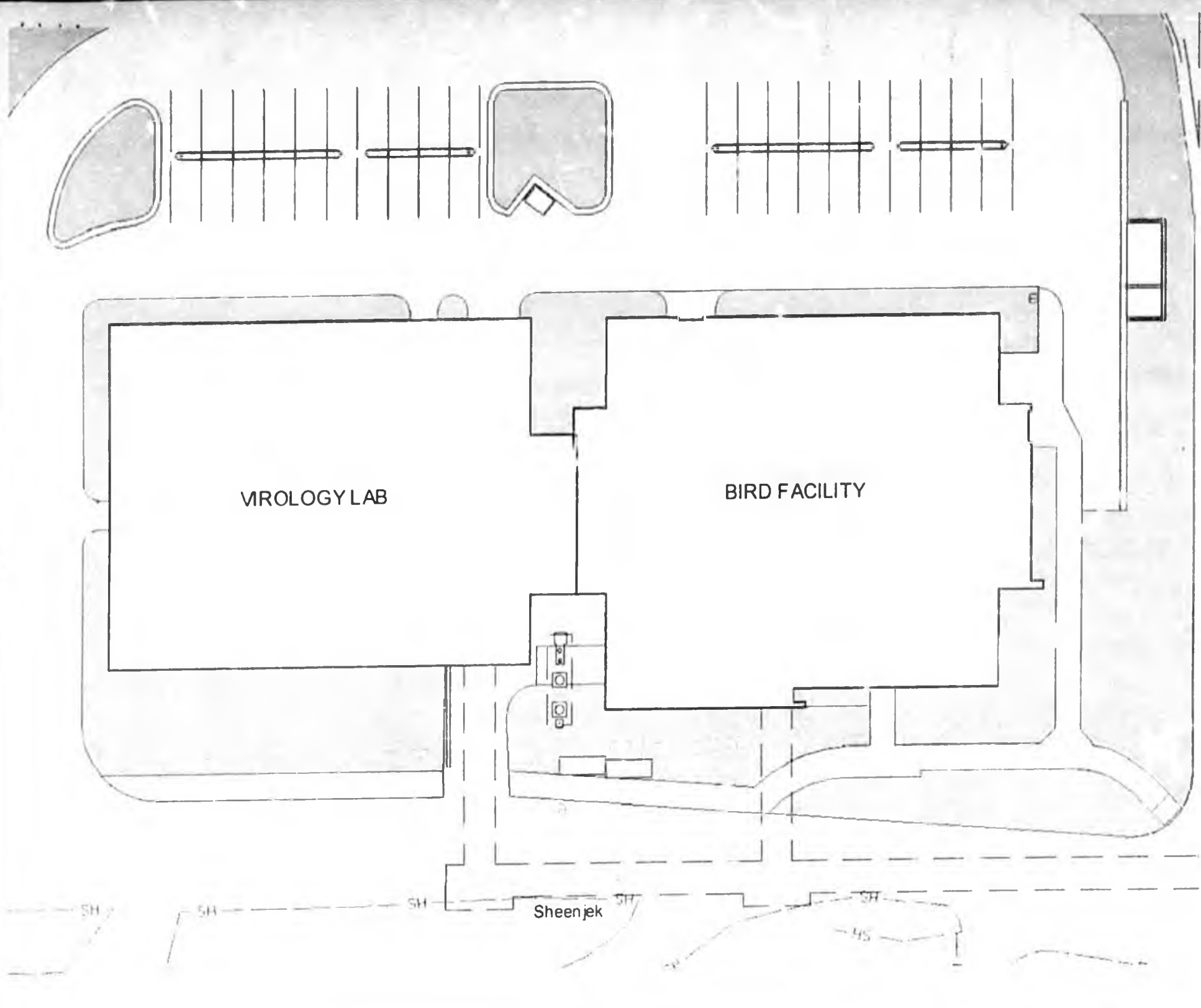
- Facilitates sharing of ideas and new knowledge between UAF Health Research Program and DHSS

SB 73: Construction of a State Public Health Virology Lab in Fairbanks

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



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



VIROLOGY LAB

BIRD FACILITY

Sheenjok

SH

SH

SH

SH

SH

HS

LEGAL SERVICES

DIVISION OF LEGAL AND RESEARCH SERVICES
LEGISLATIVE AFFAIRS AGENCY
STATE OF ALASKA

(907) 465-3867 or 465-2450
FAX (907) 465-2029
Mail Stop 3101


State Capitol
Juneau, Alaska 99801-1182
Deliveries to: 129 6th St., Rm 329

MEMORANDUM

February 10, 2005

SUBJECT: CSSB 73(HES) (Work Order No. 24-GS1117\G)

TO: Senator Fred Dyson
Attn: Jason

FROM:  Theresa Bannister
Legislative Counsel

This memo accompanies the bill described above. The following is a suggestion for the bill. Since the bill has passed out of your committee, you may wish to send this memo along with the bill to the next committee of referral.

In sec. 2(b) of the bill, the use of "other costs" suggests that the preceding reference to "acquisition" means the cost of acquisition. However, the bill does not actually say that because of the way the words are arranged and used. So I suggest that the phrase, "cost of construction, acquisition, and other costs," be replaced with the phrase, "cost of construction, cost of acquisition, and other costs."

If I may be of further assistance, please advise.

TLB:jad
05-03.jad

Enclosure

SENATE COMMITTEE REPORT

DATE: 1/27/05

FURTHER: Finance

DATE TURNED IN TO OFFICE: 2.9.05

Health, Education and Social Services Committee considered

SENATE BILL NO. 51

SB 51 PUBLIC ASSISTANCE PROGRAMS

"An Act relating to contracts for the provision of state public assistance to certain recipients in the state; providing for regional public assistance plans and programs in the state; relating to grants for Alaska Native family assistance programs; relating to assignment of child support by Alaska Native family assistance recipients; relating to paternity determinations and genetic testing involving recipients of assistance under Alaska Native family assistance programs; and providing for an effective date."

and recommends:

- be replaced with _____ CS _____ (_____)
- adopt previous _____ CS _____ (_____)
- 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	Indet.	Zero	FN#

PREVIOUS FISCAL NOTE(S):

Department	Date	Fiscal	Indet.	Zero	FN#
HHS	12/10	X			1
HHS	12/10	X			2
HHS	12/10	X			3
HHS	12/10	X			4

APPROPRIATION - no fiscal note

SIGNATURES AND RECOMMENDATIONS:	DO PASS	DO NOT PASS	NO REC	AMEND
Elton	✓			
Wilken			✓	
Green			✓	
Olson	✓			
Dyson CHAIR:	✓			