



## State of Utah

GARY R. HERBERT  
Governor

GREG BELL  
Lieutenant Governor

## Department of Administrative Services

KIMBERLY HOOD  
Executive Director

## Division of Purchasing and General Services

KENT D. BEERS  
Division Director

November 15, 2011

Honorable Gary R. Herbert, Governor  
Office of the Governor  
E220 Capitol Complex  
Salt Lake City, Utah 84114

Honorable Michael G. Waddoups, President  
Utah State Senate  
W115 Capitol Complex  
Salt Lake City, Utah 84114

Honorable Rebecca D. Lockhart, Speaker  
Utah House of Representatives  
W030 Capitol Complex  
Salt Lake City, Utah 84114

Dear State Leaders,

The Utah State Privatization Policy Board was established by the State Legislature to study and make recommendations to state and local agencies regarding effective privatization of government services. It also functions as an avenue to address concerns from the private sector regarding unfair competition. In 2010 the board focused on its responsibility to address these issues as well as comply with its responsibility to create an inventory of activities of state agencies. *Seciton 63I-4-301* directs to board to (1) *create an inventory of activities of the agencies in this state to classify whether each activity is: (a) a commercial activity; or (b) an inherently governmental activity.* As required by statute, we are submitting the enclosed annual report, which details the board's activities.

It is worth noting that the board is a balanced body composed of majority and minority members of both houses and of the state legislature, as well as representatives from local government, state administration, higher education, public employees and private enterprise. While the board has no power to mandate action on the result of its findings, it has the responsibility to see that administrative and legislative entities of government are made aware of them, and wherever possible, to support and pursue the implementation of these findings through the appropriate entity.

The Privatization Policy Board stands ready to assist the legislature in its deliberations regarding these and any other privatization issues that may merit consideration.

Sincerely,

Randy Simmons, Chair



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## Privatization Policy Board 2010 Annual Report

### *Issues Considered*

During the course of the year, several issues were reviewed by the Privatization Policy Board. Each issue is listed below along with the rationale for the Board's decision to review and report on the topic. A substantial amount of time was spent interviewing and meeting with state agencies to document whether the services they provide are "Governmental" or "Commercial" in nature in compliance with the Board's responsibilities outlined in Utah Code 63I-4-101.

### **Issue #1: Ashley Valley Regional Medical Center**

- Si Hutt, CEO of Ashley Regional Medical Center brought this issue to the Board.
- The Board elected to hear this issue because it involved government competition with private enterprises.

**Board Review:** Si Hutt indicated that the Uintah Basin Medical Center (UBMC) is competing with his hospital, Ashley Valley Regional Medical Center, and that Duchesne County is employing unfair business practices. Mr. Hutt explained that the UBMC, located in Duchesne County, is a 501C3 organization. In his opinion, Uintah Basin Medical Center operates as a government entity when it comes to capital funding and like a private business when implementing market share strategies. Mr. Hutt noted that because UBMC receives funding from the Community Impact Board and Duchesne County Revenue Bonds, they are a governmental entity and have an unfair advantage in competing with his private sector hospital. Mr. Hunt also noted that because UBMC is receiving funding from Duchesne County, the county has crossed borders and is building in Uintah County. Duchesne County should not be able to do this without the permission of Uintah County and should enter into an inner local agreement regarding services.

Brad LeBaron, CEO of Uintah Basin Healthcare and UBMC, explained the history behind the medical center and why the non-profit center was established. He also explained that funds from the Impact Board and County were fully expended in Roosevelt and why UBMC expanded into Vernal City. A Doctor who represented the Vernal based Basin

Family Clinic physicians wanted UBMC to provide laboratory and x-ray services in their building. Mr. LeBaron encouraged them to work out a deal with Ashley Valley Medical Center. Mr. LeBaron was contacted several times after this initial contact and was told a deal could not be established with Ashley Valley Medical Center. UBMC then entered into a contract with the Basin Family Clinic physicians. He also stated that Duchesne County had tried to engage formal and informal conversations with Uintah County about the situation without success; even so UBMC did not request a tax exemption and has paid Uintah County taxes.

**Board Action:** At the conclusion of this issue, Board members were concerned that this issue may not be within the Board's statutory authority. The Board took no action on this issue. However the Board did endorse H.B. 307 sponsored by Representative Hughes.

### **Issue #2: Manheim Utah Request to Access DMV Record and Print Titles**

- Scott Wennerholm of Manheim Utah brought this issue to the Board.
- The Board elected to hear this issue because it involved a private entity presenting a case that they can provide a service in a more efficient and cost effective manner than the government agency currently providing the service.

**Board Review:** Mr. Wennerholm with a company named Manheim stated before the Board that that if the Division of Motor Vehicle (DMV) would grant Manheim employees access to the DMV's titles process that Manheim could reduce the turn-around time on titling seven days to one hour. He discussed the security issues with the Board and how the DMV could gain by having private companies like his provide capital that the DMV would not have access to. He suggested that this additional capital could be used to change the DMV's technology and upgrade their systems. Mr. Gary Thorup from CoPart Inc. was also present to discuss his firm's desire to join Manheim in a proposal to work with the DMV.

**Board Action:** The Board decided that Manheim and CoPart Inc. should provide a proposal to the DMV and work together to find a solution. After that process has taken place the Board would take action depending upon DMV's response to the proposal. At this point, the issue has not been pursued further by Manheim Utah or CoPart Inc.

### **Issue #3: Request from the Government Operations and Political Subdivisions Interim Committee - Surplus Vehicle Sales.**

- The Government Operations and Political Subdivisions Interim Committee requested that the Board review the current methods used by State Surplus Property to sell surplus state vehicles. Specifically, whether sending used vehicles to private auction companies could produce more revenue for the State.

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**Board Action:** The Board concluded that further data was needed to complete a proper study. Comparable data between State Surplus Property vehicle sales and private auction company sales does not exist. The Board recommended that a sample of surplus vehicles be sent directly to private auction for comparison. Results of the comparison will be presented to the Board in 2011.

**Issue #4: Administrative Rules Review Committee Request for input on HB 272.**

- Administrative Rules Review Committee requested that Privatization Policy Board review the segmentation process related to scenic byways under House Bill 272.
- The Board attempted to contact Legislative Research and General Council to obtain information concerning this issue and to request their assistance in compiling the information needed to draw a conclusion. However, upon the suggestion of Senator Howard Stephenson, after contacting Art Hunsaker the Board's Research Analyst was told there wasn't going to be anything the Board could study at that point. A period of time would have to pass before they knew how things were going to unfold.

**Board Action:** Given the information provided by Art Hunsaker, the Board has not taken up this issue.

**Issue #5: Public Consulting Group (PCG) Study - Privatizing a Portion of the Utah State Hospital and the State Developmental Center.**

- Legislative Leadership asked the Board to review and respond to a feasibility study produced by the Public Consulting Group regarding privatizing a portion of the Utah State Hospital and State Developmental Center. This study focused on the feasibility of privatizing the Utah State Developmental Center and the Utah State Hospital's Forensic Unit.

**Board Review:** The study determined that privatizing the Forensic unit at the State Hospital and Developmental Center would not be in the state's best interest. Though a significant amount of money could be saved by reducing staff compensation the study concluded that the result would lead to increased turnover and a reduction in the quality of care. However, after hearing from Len Gilroy (Reason Foundation), whom prepared a report stating flaws in PCG's study, the Board felt that the PCG study did not include all the savings that privatization could produce and that PCG came to unsubstantiated conclusions concerning the turnover of staff and the reduction in the quality of care provided by the State Hospital Forensic unit and Developmental Center.

**Board Action:** The Board formally prepared a report to Legislative Leadership stating that PCG's feasibility study was not complete and the conclusions it produced were perhaps unsubstantiated and that the study was not a complete and accurate analysis of the privatization opportunity.

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**Issue #6: Survey of State Agencies to Create an Inventory of Whether Services are Governmental or Commercial in Accordance with Utah Code 63I-4-301**

A survey has been sent out to all state agencies documenting whether the services provided by each agency are inherently governmental or commercial in nature. The Board is in the process of holding hearing with each agency to review their response to the survey. The following are some of the highlights from the Board's work in this area:

- a. The Board invited the Department of Alcohol Beverage Control (DABC), the Department of Natural Resources (DNR), the Department of Public Safety (DPS), and the Tax Commission to further explain and present services/functions they provide for the State of Utah.
- b. The Board requested input from the Reason Foundation on best practices for privatization models, and sought out private business opinions addressing functions and services provided by the agencies invited to meet with the Board during the 2010 year and how those private enterprises could take on some of the functions the state is currently overseeing.
- c. The Board determined that privatization opportunities exist within the retail function of the DABC, DNR State Park/Golf Course operations, and DPS's Drivers License Division. However, the Board determined that further efforts were to be focused on the DABC and State Park operations.
- d. The inventory of agency services (governmental vs. commercial) is approximately 25% complete.

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