

Privatization Policy Board 2010 Annual Report

Issues Considered

During the course of the year, several issues were reviewed by the Board. Each issue is listed below, along with the rationale for the Board's decision whether to review and report on the topic. A substantial amount of time was spent interviewing and meeting with state agencies to clarify the "services/functions" survey to comply with the Board's responsibility to compile an inventory of "inherently governmental" and "commercial" activities.

Ashley Valley Regional Medical Center

- Who brought forward this request? Si Hutt, CEO of Ashley Regional Medical Center.
- Selected for review and reporting? More information was requested to make a decision.

Rationale: The Board is to be involved in any privatization issues that involve government competition with private enterprises.

Board Review:

Si Hutt gave a presentation discussing how 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, an entity located in Duchesne County, is a 501C3 organization. In his opinion, Uintah Basin Medical Center is operating as a government entity when it comes to access to capital funding and they conversely act like a private business when implementing market share strategies in order to gain market share health care services in the Uintah Basin. Specifically, Mr. Hutt cited the fact that UBMC received funding through the Community Impact Board and also through Duchesne County Revenue Bonds. Mr. Hutt explained that if UBMC is able to use these types of government funding to build their infrastructure that would free up operating capital to expand into Uintah County and Vernal.

Additionally, with UBMC 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. He says that ordinance has been ignored by Duchesne County.

Brad LeBaron, CEO of Uintah Basin Healthcare and UBMC, explained their side of the story. He explained the history behind the medical center and how and why the non-profit center had been established. He also explained the issues surrounding the money received by the county and how they had been fully expended in Roosevelt.

Additionally, he explained why UBMC had decided to expand 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.

At the conclusion of this issue the Board members were concerned that this type of issue may not be within its statutory limits and requested legal council to make sure that it was.

Board Action:

The Board took no actions on this issue; however the Board did endorse H.B. 307 sponsored by Representative Hughes.

Manheim Utah Request to Access DMV Record and Print Titles

- Who brought forward this request? Scott Wennerholm of Manheim Utah.
- Selected for review and reporting? More information was requested to make a decision

Rationale: The Board provides a forum for reviewing cases where privatization is considered and the proper steps need to be taken to ensure competitive results. In this case, Manheim Utah stated that it could increase the DMV's efficiency and effectiveness.

Board Review:

At its March meeting, the Board heard arguments from Mr. Wennerholm from Manheim Utah.

Mr. Wennerholm stated that if the DMV would grant Manheim employees access to the DMV's titles process that the turn-around time on titling could be reduced from 7days to an 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. This additional money could be used to change the DMV's technology and upgrading their systems.

Mr. Gary Thorup from CoPart Inc. was also present to discuss his firms desire to join Manheim in a proposal to work with the DMV.

Board Action:

The Board decided that the companies 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 how the DMV responds. Additionally, during this process the Board's Research Analyst could be involved as a liaison and report back to the Board.

At this point the issue has not been pursued by Manheim Utah or CoPart Inc.

Request from the Government Operations and Political Subdivisions Interim Committee- Surplus Sales.

- Who brought forward this request? Government Operations and Political Subdivisions Interim Committee.

The Privatization Policy Board received a letter requesting the Board to perform a study on the sale of surplus state vehicles. This study was to be completed and presented to the Interim Committee on August 18, 2011.

This study was performed by the Board's Research Analyst, Utah State Surplus Property and Fleet Services Management, and included information taken from a variety of private enterprises and individuals.

The study looked at how the state managed the sale of surplus vehicles, the contracts and tools in place to facilitate the effort, Surplus Property management goals, and the methods of private enterprises for auctioning off vehicles.

Board Action:

The Board concluded that further data was needed to complete a proper study. Comparable data between the private vendor State Surplus contracts with, TNT Auctions, and State Surplus sales does not exist. The Board recommended that a small sample of Crown Victoria vehicles being sold by both State Surplus and TNT be compared and send a second sample of vehicles directly to TNT and then compare returns on the vehicles. The Board additionally wanted to make clear that they thought State Surplus Sales was performing exceptionally well considering their limited staff size.

Administrative Rules Review Committee Request for input on House Bill 272.

- Who brought forward this request? Administrative Rules Review Committee.

The Administrative Rules Review Committee requested that Privatization Policy Board Review how 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.

Public Consulting Group (PCG) Study- Privatizing a Portion of the Utah State Hospital.

- Who brought forward this request? Legislative Leadership.

The Board was asked to review and respond on the Feasibility study produced by the Public Consulting Group Study regarding privatizing a portion of the Utah State Hospital. This study reviewed the feasibility of privatizing the Utah State Developmental Center and the Utah State Hospital's Forensic Unit.

The study determined that privatizing the Developmental Center and Forensic Center would not be in the state of Utah'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 officially 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.

Survey Used to Create an Inventory of Activities of State Agencies in Accordance with Utah Code 63I-4-301:

The survey has been successfully sent out to and the inventory of services/functions is underway. The Board met with State Agencies to clarify survey responses and obtain a more objective outlook on the nature of services provided by the agencies.

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.

Additionally, 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.

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.