



State of Utah

Privatization
Policy Board

JON M. HUNTSMAN, JR.
Governor

GARY R. HERBERT
Lieutenant Governor

May 1, 2006

Honorable Jon M. Huntsman, Jr., Governor
Office of the Governor
E220 Capitol Complex
Salt Lake City, Utah 84114

Honorable John L. Valentine, President
Utah State Senate
W115 Capitol Complex
Salt Lake City, UT 84114

Honorable Greg J. Curtis, Speaker
Utah House of Representatives
W030 Capitol Complex
Salt Lake City, UT 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 2005 the board studied issues in both these areas of responsibility. 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 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 results 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.

Governor Jon M. Huntsman, Jr.
President John L. Valentine
Speaker Greg J. Curtis
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The Privatization Policy Board respectfully requests that you thoughtfully review this annual report and consider implementation of the needs identified. The board stands ready to assist the legislature in its deliberations regarding these and any other privatization issues that may merit consideration.

Sincerely,

Brent H. Goodfellow /DR

Senator Brent H. Goodfellow
Chair,
Utah Privatization Policy Board

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Privatization Policy Board Annual Report

Annual Report 2005

Issues Considered

During the course of the year, several potential issues were brought to the attention of the Board. Each issue is listed below, along with the rationale for the Board's decision whether to review and report on the topic. For issues that were taken under study, an issue summary and the Board's final recommendations are included.

Privatization of State Copy Centers

- Who brought forward this issue? The Department of Administrative Services, Division of Purchasing and General Services
- Selected for review and reporting? Yes

Rationale: The Department of Administrative Services, Division of Purchasing and General Services asked the board to assist in evaluating whether it would be prudent to outsource the provision and operation of copy centers. The Privatization Policy Board appointed an advisory group to study this issue. The advisory group thoroughly studied the financial history of Publishing Services and the deficit resulting from the Copy Centers. The advisory group was also involved as the division prepared and issued a Request for Proposal (RFP) to the private sector to provide copy services. Tanya Henrie, a Privatization Policy Board member chaired the advisory group and was included as an RFP evaluator. The advisory group unanimously recommended to the Privatization Policy Board that privatization of the copy centers would result in enhanced service levels with a considerable cost savings.

Board Action:

Following considerable discussion, the board unanimously adopted a recommendation articulated in a motion made by board member Jim Kesler, and seconded by Rep. Fred Hunsaker. The motion encouraged the Department of Administrative Services to privatize the high speed copy center function within the Division of Purchasing and General Services. As required by statute, letters were sent on this privatization recommendation to the relevant department director, the Governor and the appropriate Legislative Appropriation Committee. Subsequently, the division has proceeded and awarded a contract to a private company to provide the subject copy center services. The Board will follow-up in 2006 and monitor the results of this action.

Privatization of Management of the Petroleum Storage Tank Trust Fund

- Who brought forward this issue? Legislature's Natural Resources, Agriculture, and Environment Interim Committee
- Selected for review and reporting? Yes

Rationale: The Legislature's Natural Resources, Agriculture, and Environment Interim Committee asked the board to consider whether privatization of the Petroleum Storage

Tank Trust Fund (Fund) would be in the best interest of the citizens of Utah. The Fund is a financial assurance mechanism, administered by the Department of Environmental Quality, Division of Environmental Response and Remediation, for owners/operators of underground storage tanks whose storage tanks experience leaks or spills. (See Title 19, Chapter 6, Part 4, Utah Code Annotated). These tanks are primarily located at gasoline stations. There are currently about 4,000 tanks in 1,300 facilities that are regulated at this time. The Department of Environmental Qualities cost to administer the fund is about 1.1 million dollars. This includes compliance and regulatory issues. It is estimated that 15% is spent on administration of the fund and 85% is spent on compliance and regulatory issues. There is an underground storage tank advisory committee task force in place also studying this issue. DEQ has regulatory aspects delegated from the US EPA and also has responsibility for management of the fund. Only two states are like Utah in this respect. Most of the states separate these two functions with the regulatory being with DEQ and the fund management coordinated by another state entity (ie. Dept. of Commerce). A ½ cent surcharge currently generates \$6 million annually. 85% of tanks in Utah are on the PST fund. 3,500 sites have been cleaned-up. Paul Ashton representing the petroleum retailers association said that he fears that safeguards are not in place to protect the fund. He expressed concern that the state may not be up to date on the technology available for clean-up. He expressed concerns with the management of the fund and the state's oversight of the remediation projects being paid for from the fund. He suggested that better oversight was needed, and that perhaps privatization was one possible solution. The Privatization Policy Board decided to monitor the recommendations of the DEQ led underground storage tank advisory committee relative to this issue. At the Privatization Policy Board Meeting in December 2005, Brad Johnson from DEQ/DERR reported that the DEQ task force recommended the following: 1. An owner should be required to put all their tanks on the program, or include none in the program (all or none). Legislation was introduced in the 2006 Session to implement this recommendation. 2. The task force does not feel that the management of the fund is appropriate for privatization at this time. 3. The task force would like to develop a process to look at graduated fees for fund participants based on the age of the tank, etc. Jon Hill representing the petroleum marketers association indicated that he supported Mr. Johnson's presentation, and said that his association does not support privatization of the fund at this time.

Board Action:

Senator Goodfellow said that since DEQ has both an advisory and regulatory board involved reviewing and monitoring the advisability of privatizing the management of the fund, that at this point it doesn't appear that further study or action is needed by the Privatization Policy Board on this issue.

Other Board Workings

Memorandum to the State Department and Division Directors

In an effort to inform the state agencies about the availability of the board to review and make recommendations regarding privatization issues, a letter "Invitation to Submit Privatization Issues" was sent out in the summer to all State Department and Division Directors.

Presentation on Privatization within Higher Education

Board member, Norm Tarbox, a vice-president at Weber State University gave a presentation on the involvement of higher education and issues of privatization over the past few years. He reported that there are two main areas that deal with privatization. One of the main areas has to do with services on campus. These areas involve services such as student housing, food services, book stores and there has been a little discussion about recreation centers as well. Mr. Tarbox indicated that the budget constraints forces the institutions to evaluate whether services are more competitively provided internally or outsourced. The second general area focuses on the research universities and technology transfer. The board discussed the technology transfer from state universities to the private sector, a "privatization of ideas". Mr. Tarbox talked about other trends happening in other states where institutions of higher education are getting involved in developing retirement communities, golf courses, etc. for alumnus of these colleges. There are 20 or 25 developments that are already in place or under way. There is now a trend nationally to do this and it creates a stream of revenue that goes back into the universities. The board will continue to monitor the potential privatization areas within higher education.

Presentation on Privatization of Prisons

Scott Carver, executive director of the Department of Corrections provided a briefing to the board on his perspective on the role of privatization within corrections. He distributed a Privatization White Paper that he had previously presented to the Governor. He gave a brief history of privatization issues that the prison system has dealt with over time. Mr. Carver stated that he was against privatization of prison operations. He feels that the prisons are a government responsibility and should remain that way. Mr. Carver and the board then had an open discussion on this subject. The board will continue to monitor the potential privatization of correctional facilities.

Privatization Policy Board Website

The board has a website - <http://www.purchasing.utah.gov/ppb/ppb.htm>

The website includes a roster of board members, the statute establishing and governing the board, a mission statement developed by the board, meeting agendas, and minutes of board meetings.