

Minutes of the Meeting of the Utah Privatization Policy Board
Tuesday, December 10, at 10:00 a.m.
Room 3150 State Office Building
Salt Lake City, Utah

Attendees:

Jay Dansie
Bill Barton
Ramona Rudert
Liz Hawkins
Representative Loraine Pace
Representative Brent Goodfellow
Douglas Richins, Secretary

Excused:

Jim Kesler
Norm Tarbox
Commissioner Merwin Stewart

Absent:

Scott Carver
Senator Bill Hickman
Douglas Durbano

Approval of Minutes:

Liz Hawkins motioned for approval of the minutes for November. Ramona Rudert seconded the motion. They were approved unanimously.

Today's meeting included a discussion on topics for the board to address in future meetings. The following ideas were advanced.

- Adoption Services
- Factors that attract or repel businesses
 - Economic Development
- Health Care
 - PEHP
 - CHIP
 - Medicaid
- Water Management
- Senior Citizens Issues
 - Nursing Homes
 - Ability to pay
- Education
- Pharmaceutical Companies

For the January 2003 meeting it was decided to have a board discussion bringing conclusion on issues from past meetings including Driver's Education

The next meeting will be held on January 14, at 10:00 a.m.

There will not be a meeting in February as the Legislature will be in session.

Minutes of the Meeting of the Utah Privatization Policy Board
Tuesday, November 12, 2002 at 10:00 a.m.
Room 3150 State Office Building
Salt Lake City, Utah

Attendees:

Jim Kesler – Board Chair
Jay Dansie
Bill Barton
Ramona Rudert
Representative – Loraine Pace
Representative – Brent Goodfellow
Merwin Stewart
Scott Carver
Douglas Richins – Secretary

Excused:

Norm Tarbox
Liz Hawkins

Absent:

Senator Bill Hickman

Visitors:

Betsy Ross – State Auditors Office
Helen Goddard – Department of Human Services
Sheldon B. Elman – Department of Human Services

Jim Kesler, Board Chair, conducted the meeting.

Approval of the Minutes for September 10, 2002

Bill Barton motioned for approval of the minutes. Ramona Rudert seconded the motion. They were approved unanimously.

Presentation by Betsy Ross – State Auditors Office

Betsy Ross spoke concerning the State Auditor's history of involvement with Quasi-government entities, and the 1998 Working Group he headed. Ms. Ross presented the results of the Working Group, which suggested a model for determining when an independent entity should be privatized. The Working Group's results were presented to the Legislature, and its legacy exists in the form of the current legislative Quasi-government entities committee.

**Presentation by Helen Goddard and Sheldon Elman
Department of Human Services**

Utah has the youngest population, but we are also an aging state with the 65 + age group growing at 27 % a year. Statewide this age group comprises 8.5% of the population and some of our urban cities and many rural counties already exceed twice the state's average. By 2015 the 65 + will comprise 24% of the total state's population.

Seniors provide a qualified and experienced labor force to support Utah's economic growth and quality education. Business can take advantage of the labor pool.

The Division and Utah State University conducted a survey of 6000 individuals age 55 and over. The results indicate that most seniors will remain in their homes and in their current communities. Unfortunately a large majority has not planned for retirement and those that have felt it will not be adequate. Many feel that as they age they will need some form of transportation to get around when they cannot drive any more. Also many feel they may need some type of in-home services when they get ill.

Businesses, the community and government should begin discussion now to prepare for the baby boom population because it will offer opportunities as well as challenges.

Representative Pace brought up the fact that the legislature does not know how they are going to fund the upcoming problem of senior care. There are a lot of seniors out there who can pay for services but don't. Privatization would be a big help in taking a load of the budget.

Small Business Opportunities:

- Travel and Leisure Services
- Managing Finances
- Services and products to act and remain youthful.
- Physical Fitness
- Assisted Living Facilities
- Home Modifications – Alternative living situations

Individuals who are above a certain income level do not have a lot of help from the private or public sector.

The Privatization Policy Board can help by:

- Contract with private business with special grant or money to deliver services
- Provide education
- Case Management
- Make sure there is no age discrimination

Attached is the slide presentation.

Mr. Kesler thanked everyone for coming to our meeting and their excellent presentations.

The next meeting will be held on December 10th at 10:00 a.m.

Minutes of the Meeting of the Utah Privatization Policy Board

Tuesday, October 8, 2002 at 10:00 a.m.

Room 3150, State Office Building

Salt Lake City, Utah

Attendees:

Jim Kesler
Bill Barton
Douglas Durbano
Ramona Rudert
Liz Hawkins
Jay B. Dansie
Representative Loraine Pace
Scott Carver
Douglas Richins - Secretary

Excused:

Norm Tarbox
Commissioner Merwin Stewart

Absent:

Senator Bill Hickman
Representative Brent Goodfellow

Visitors:

Stephen Ogilvie - State Parks and Recreation
Steve Roberts - State Parks and Recreation
Mike Jerman – Utah Taxpayers Association

Jim Kesler, Board Chair conducted the meeting.

Approval of the Minutes for September 10, 2002

After a spelling error correction and the rewording of a sentence, Jim Kesler motioned for approval of minutes. They were approved unanimously.

Bill Barton expressed his concerns about the burden on the State of Utah to continue to fund golf courses. He suggested that the privatization or that the contracting out of state owned golf courses be considered.

Mr. Roberts read a letter addressed to Norman Bangerter from Department of Natural Resources stressing the importance of State funding for Golf Courses.

Mr. Ogilvie passed out a financial summary and a chart comparing the expenditures and revenue of 3 different golf courses. He also stated that the legislature wants the golf courses to cover their own costs. There is also \$400,000 in bonds that need to be paid out annually for building the golf courses.

Mr. Barton suggested maybe having a contractor buy out the bonds.

Mr. Roberts stated that two of the golf courses were private and when State Parks purchased them their revenue went up 35%. He also stated that these things have been tried. We are just going back and rehashing what has been done before.

Mr. Kesler asked the question, “On a bid would the lessee assume the debt”?

Mr. Robert’s answer was that it would have to be negotiated. It would be hard on the State to offer the golf course to a private entity and the state pick up the debt.

Mr. Kesler also inquired about the interest rate on the bonds.

Mr. Robert’s answer was that they work through DFCM and have a great rate.

Mr. Durbano wanted to know how golf courses fit into the essential function of government.

His answer was the demand for public golf courses. Very few people golf at private courses. It is a win win for all of us.

Mr. Durbano affirmed the public golf courses offers a recreation to the State that would otherwise not exist. The private sector could not fill the market the Parks and Recreation fills.

Mr. Kesler wanted to know why golf courses are built where the population is so low.

His answer was that they were asked by the legislature to take over Palisades and instructed to build Green River.

Money issues and cost to the public were discussed.

Mr. Ogilvie brought up the fact that in small towns economic growth depends on golf courses.

It was also brought up that private golf courses cost more than public golf courses and have more employees.

Ms. Hawkins asked how the money given to Parks and Recreation was distributed. Does the legislature tell Parks and Recreation how to spend it or is it up to them?

The answer was the legislature appropriates the money through a line item. Parks and Recreation is allowed to spend their money how they wish within the line item. Parks and Recreation is issued two line items. One is for the operating budget of the whole division; the other is for the capitol development budget.

Ms. Hawkins also brought up the point that if we take the golf courses away from the citizens of Utah, think of the recourse the people who are elected will have.

Representative Pace brought up the fact that with Parks and Recreation Bear Lake is doing better financially because of snowmobile trails that were put in there.

Mr. Richins brought up the fact that Mr. Barton was not arguing against the state owning golf courses, but whether it is more cost efficient for the state to run golf courses or to contract out. Mr. Richins also wondered if there were any entities that have contracted out.

The answer was that none of the Utah golf courses have been contracted out.

Mr. Kesler asked if any entity or Board has come to Parks and Recreation and told you that they can generate a profit for Wasatch, which is most profitable.

The answer was yes. But most say, "I want to run the golf course but, I want you to maintain it." Nothing is saved in these cases.

Mr. Richins stated that Parks and Recreation keeps Purchasing busy with lots of contracting out for different services.

Tax issues were discussed.

Salt Lake City is not operated as an enterprise fund; they operate in the whole state park system.

Mr. Kesler thanked Mr. Roberts and Mr. Ogilvie for coming to our meeting and making their presentation.

Presentation made by Mike Jerman – Utah Taxpayers Association:

Mr. Jerman stated that Utah golf courses are also a concern for the county. How many golf courses should remain open? What is the burden on our taxpayers? He also stated that many golf courses are losing money and there is a glut of golfing opportunities and you can go anywhere to golf. One of the Taxpayers Association's concerns is public education in Utah. Right now there are not enough funds going there. So basically the concern is the burden on the taxpayers.

Mr. Kesler brought up the fact that the golf courses generate tax dollars for the state.

Mr. Jerman stated that the question was the alternatives for the land. He also asked if we generate any more tax dollars if recreation is moved from one place to another.

Mr. Kesler thanked Mr. Jerman for his thoughts and input on the subject.

It was brought up that bonding was better per state development than private development.

Ms. Rudert brought up water conservation and higher taxes on water. Some golf courses recirculate their water.

Mr. Carver brought up that if the funds from Wasatch pay for the other golf courses then he doesn't see a problem with that.

Mr. Kesler brought up that one of the functions of government is to provide things that most people can afford to enjoy.

For the next meeting it was suggested that we bring ideas for future meetings. The ambulance issue is one.

The meeting was adjourned.

The next meeting will be held on November 12th at 10:00 a.m.

Minutes of the Meeting of the Utah Privatization Policy Board
Tuesday, September 10, 2002 at 10:00 a.m.
Room 3150, State Office Building
Salt Lake City, Utah

Attendees:

Jim Kesler, Chair
Douglas Richins, Secretary
Representative Loraine Pace
Representative Brent Goodfellow
Ramona Rudert
Liz Hawkins
Bill Barton
Scott Carver

Excused:

Douglas Durbano
Norm Tarbox
Commissioner Merwin Stewart
Sharlene Thomas

Visitors:

Judy Hamaker Mann, Director, Utah Driver's License Division
Wally Wintle, Utah Driver's License Division
Verl Shell, A-1 Driving Schools
Alan Silva, Bilingual Driving School
Dennis Young, Bilingual Driving School
Gloria Young, Bilingual Driving School

Jim Kesler, Board Chair conducted the meeting.

Approval of the Minutes for August 13, 2002

After a spelling error correction in the minutes, Ramona Rudert motioned for the approval of the minutes. They were approved unanimously.

Report on the Privatization of UTFC, presented by Steve Grizzell

UTFC was established in 1983 as the Utah Technology Finance Corporation. It was at the time set up to be a venture capitol fund. Immediately after it was established and funded UTFC ability to invest in companies was challenged by the Attorney General as being unconstitutional. There is a provision in the state constitution that prohibits the state from extending its credit to a private entity. Eventually the issue was settled and it was agreed that the entity could issue loans but could own stock in the emerging companies.

From the beginning it was viewed as an entity that should become privatized. Since 1991 the paradox that plagued the organization was, "whether UTFC was an economic development entity or whether their role was to demonstrate that a return on

investment and eventually become privatized?” Depending who was on what legislative committee and what year, that particular directive shifted. The constant pulling in different directions posed challenges. For example, in 1991 UTFC was truly focused on being an Economic Development Agency, and suffered revenue losses. In 1991 they began to restructure so that they could break even. They reached that point and then there was a shift in focus and they were directed to accomplish other activities for the state and started losing money in the range of a million to a million and a half per year.

Then there was an audit done by the legislature and it was decided that UTFC was off of its mission and focused the agency on being self-sustaining. The legislative appropriation was terminated. Eventually it was determined that the agency should be privatized.

Banks and the Industrial Loan Corporations were looked into and they came up with a plan to raise 10 million dollars new money to fund the corporation and give back the money to the state. It took 15 to 18 months to complete this process and come up with insurance plans etc.

The UTFC is now a profitable organization. The lenders are happy and right now their goal is to develop economic development needs so they can pay their lenders back. Some of the major investors are Merrill Lynch, American Express, Wells Fargo, Zions, Morgan Stanley, and Pitney Bowes. They invest in the form of stock and get a 10% annual return.

UTFC's operating money is earned by the interest income they receive on their loans. They loan 5 to 6 million dollars a year in loans. It works out to be about one loan per month. They mostly cater to smaller or start up business. Clearly there are businesses that need a lot more so they partner with other lending institutions to address this.

UTFC charges a fixed interest rate and they have a “warrant” or an opportunity to purchase stock in the future at a price that is predetermined that they could make money on. The interest rate covers the expenses and the warrants provide the return that attracts investors.

All of the UTFC employees were retained in the privatized entity. They were able to provide a benefits package that was comparatively close to the benefits they had with the state.

Presentation regarding Driver's Education, by Verl Shell of A-1 Driving School

Mr. Shell has 20 years experience in driver's education in public schools and 20 years experience in commercial driver's education. His school teaches approximately 4,000 students a year. Mr. Shell believes that both commercial schools and public schools do a good job. As a taxpayer he is not happy to pay for programs that could be privatized. He feels that driving a car is a privilege and not the responsibility of the taxpayers.

Mr. Shell feels that the figures from the Fiscal Analyst's Office and the figures from the schools are not accurate. The state subsidizes \$100.00 per student and the student pays about \$65.00. He also feels that privatization eventually will happen because the cost of education is soaring. It is not something new it is done in many states already.

The figures from the Fiscal Analyst's Office say that 6.1 million dollars are going into driver's education. Mr. Shell feels that much more money than that is going into the program. The Fiscal Analyst's Report states that \$121.43 goes to the schools. Mr. Shell stated that at Beaver School District the cost is \$334.18.

Mr. Shell said that private companies can provide services to all areas. He is also developing an internet based school. A concern was brought up on educating the low-income families. Mr. Shell thought that maybe a voucher would work. Another concern was if Driver's Education was privatized, what about the 50 to 100 new employees that the state would have to hire to administer the processing of the applications. Mr. Shell stated that there is a law that covers commercial testing and with approval it can be done at the commercial drivers education site. The Driver's License Administrative Rule states that you cannot test anyone that you have taught at your school, to avoid a conflict of interest. This, however, does not apply to school districts.

Ms. Mann had a report from NHTSA. This study followed youth for 6 to 8 years after getting their driver's license. This report stated that there was no correlation between driver's education and reducing accident rates and mortality rates in our youth. What the study recommended is that there be a graduated drivers license. Our young people only represent 6% or 8% of our drivers but also represent 15% to 18% of our fatality rates.

Ms. Mann also stated that there are 3 components in creating good drivers:

1. A Drivers Education Course
2. Parent Involvement
3. A Graduated Drivers License

One thing that was noted in the study was that there was a 60% percent reduction in accidents when our youth took driver's education and had a graduated drivers license.

Ms. Mann also stated that if drivers education becomes privatized it will affect the Drivers License Division. There will have to be many more employees to deal with the offices and to oversee the private schools to insure against unscrupulous business practices.

Mr. Kesler asked Mr. Shell if he would be willing to provide us with some of his information on the subject because he has gone to such extensive research. Mr. Shell said that he would.

Mr. Kesler thanked everyone for their time and for attending our meeting. He stated that it was very enlightening and informative for this tough problem that has to be dealt with.

The next meeting will be held on October 8th at 10:00 a.m.

Minutes of the Meeting of the Utah Privatization Policy Board
Tuesday, August 13, 2002 at 10:00 a.m.
Room 3150, State Office Building
Salt Lake City, Utah

Attendees:

Jim Kesler, Chair
Douglas Richins, Secretary
Representative Loraine Pace
Sharlene Thomas
Ramona Rudert
Norm Tarbox
Liz Hawkins
Bill Barton
Merwin Stewart

Absent:

Senator Bill Hickman
Representative Brent Goodfellow
Doug Durbano

Excused:

Jay Dansie, Vice Chair

Visitors:

Judy Hamaker Mann, Director, Utah Driver's License Division
Wally Wintle, Utah Driver's License Division
Gary Ricks, Legislative Fiscal Analyst's Office

Jim Kesler, Board Chair conducted the meeting.

Approval of the Minutes for June 11, 2002

Bill Barton motioned for the approval of the minutes. Jim Kesler seconded the motion. They were approved unanimously.

Presentation from State of Utah, Driver's License Division – Presented by Judy Hamaker Mann, director.

The Driver's License Division oversees driver's education whether that education takes place in public or private high schools, or private driving schools. Approximately 40,000 youth go through driver's education in high schools each year. Several years ago, the legislature amended statutes allowing the high school driver's education instructors to administer both written and driving tests to the students. This has enabled the Driver's License Division to reduce lines in their offices for their other customers.

There are approximately 30 different private Driver's Education Schools in the State of Utah. Ms. Mann indicated that they provide a valuable service to older first time drivers, and to students who don't want to wait to obtain the training in their high school, or who

want to use the class time for other classes. Ms. Mann indicated that this currently provides a mechanism for privatization. The students have a choice.

These private driving schools train about 10,000 students per year. The average fee for these schools is around \$220.00. High School students are charged differing fees, depending on how much each school district chooses to subsidize driver's education. The average fee is about \$65. School districts are also funded \$100 per student from the State Office of Education. Ms. Mann indicated that most of the private schools are only located in the metropolitan areas of the state, and that one of the downsides of going to privatization of driver's education would be that people in rural Utah would not have not have equal access to driver's education.

Every instructor is required to have 21 hours of training offered by BYU or the University of Utah; this includes private and high school instructors. Private schools do a background check to make sure there is no criminal record. They are also required to be at least 21, have 3 years of driving experience and have a clean driving record. The amount of training hours is about the same in high school and in private schools.

Utah is only one of a handful of states that provide driver's education in high schools. In high school driver's education, everything is done in the school: the classroom instruction, the road instruction, the written test, the eye exam and the road test. In private schools, currently one cannot take the road test at the same school that they were trained. The individual must go to another school, or to the Driver's License Division to take the road test. All students must go to the Drivers License Division to get their license issued. Ms. Mann indicated that this is because of oversight, money involved, and to maintain integrity of the testing. High schools have one instructor do the written work, another do the driving instruction and another do the testing. Ms. Mann indicated that the failure rate on the road testing is 30% when the test is performed by the Driver License Division and 3% when the road test is performed by the high school. This is because the Driver License Division has nothing to gain or loose by failing a student. There was considerable discussion among the board regarding what would cause this difference.

The legislature and the schools are concerned because the schools are mandated to provide drivers education and yet enough funds are not provided to fully fund the program. Also, they are concerned with more pressure on academic achievement. Students could use the time to focus on academics. Ms. Mann stated that in her experience with the school system she noticed that driver's education and sports kept the children in school. Representative Pace stated that she did a survey of the 40 school districts and she found that the superintendents did not feel that driver's education kept the children in school. Liz Hawkins felt that attitude in teachers, parents and students played a big role in driver education.

If driver's education is taken out of the schools the Driver's License Division will need to hire 50 to 60 people to cover the 40,000 students who will need their services.

Ms. Mann was asked to bring to the next meeting statistics from other states who had privatized to see if there was a difference in their safety statistics before and after their privatization initiative.

Gary Ricks, from the office of the Legislative Fiscal Analyst expressed concern with the road safety and quality control of driver education in our high schools. He stated that perhaps having a different school do the testing, rather than the school that provided the training would be an improvement.

Ms Mann indicated her support for the current system of having driver's education provided both by private companies and by the high schools. She also indicated her support for the graduated driver's license, believing that this improves safety and reduces accidents and fatalities among youth.

Conclusion of the Meeting

Jim Kesler thanked Judy Hamaker Mann, Wally Wintle, and Gary Ricks for attending the meeting and for the information that they shared with us. They were invited to attend the September 10th meeting.

Jim Kesler asked for other areas that the board wished to examine. Bill Barton suggested that we place an evaluation of golf courses on our agenda. Mr. Richins agreed to invite the director of State Parks and Recreation to the October meeting, and Mr. Barton agreed to contact representatives of private golf courses. Ramona Rudert suggested inviting Steve Grizzell, Executive Director of UTFCC for a report on their apparent smooth transition into the private sector. Mr. Richins agreed to contact Mr. Grizzell and invite him to the September meeting.

The meeting was adjourned.

The next Privatization Policy Board Meeting will be on September 10, 2002.

Minutes of the Meeting of the Utah Privatization Policy Board

Tuesday, June 11, 2002 at 10:00 a.m.

Room 3150, State Office Building

Salt Lake City, Utah

Attendees

Jim Kesler, Chair
Douglas Richins, Secretary
Representative Loraine Pace
Ramona Rudert

Bill Barton
Sharlene Thomas
Representative Brent Goodfellow
Senator Bill Hickman

Excused

Douglas Durbano
Liz Hawkins
Commissioner Sterwart
Norm Tarbox

Visitors

Steve Cramblitt, Driver Education,
Granite School District
Cathy Dudley, Utah State Office of
Education
Gail Johnson, Education Specialist for
Driver Education, Utah State Office of
Education

Absent

Jay Dansie, Vice Chair

Jim Kesler, Board Chair conducted the meeting.

Approval of the Minutes for May 14, 2002

Because there was not a quorum, minutes from the meeting on May 14, 2002 were not approved.

Presentation from the State of Utah, Office of Education Regarding Driver Education – Presented by Gail Johnson

Currently, the Driver Education program is being taught by certified teachers in every high school and within three private schools in the State of Utah. Teachers gain this specific certification from either the University of Utah or Brigham Young University as a minor after a teacher's license has been achieved. Once certified, teachers receive at least a one-day refresher and training conference each year. Also, on the district level, training on updated changes with technology and automobiles are offered as well. The State Office of Education assists the Driver Education programs throughout the state by creating curriculum to be followed in every class structure. The State of Utah Board of Education then approves this curriculum. A portion of the state's core curriculum, "Organization, Administration, & Standards", was distributed to the boards members.

It is mandated that a student attending a public school and registered for driver education must complete 30 classroom hours of instruction, 6 hours behind the wheel training and 6 hours of observation behind the wheel. Recent legislation has required youth to have 30

additional hours of driving time with a parent prior to obtaining a license. Private Driving Schools, which were organized for the main purpose of training adults, only requires 18 hours of classroom instruction. The Driver License Division is responsible for the regulation of these driving schools. Also, as part of the public education curriculum, health screenings are obtained prior to licensing by either the driving instructor or the school nurse. This includes an eye exam along with a questionnaire of health related issues. If a student indicates any medical issues on the health screening form, the student with the parent/legal guardian must seek professional health care and submit the information to the Driver License Division, which will review the student's health issues. The Driver License Division will determine the student's driving capabilities. This information will then be given to the driver education teacher. If the eye exam is not passed, the student cannot participate in the driving part of the behind-the-wheel portion of the driver education class until seen and approved by eye care professional.

All funding for Driver Education is gathered from the Motor Vehicle Tax; the \$2.50 fee attached to vehicle registration. Driver Education is not a part of any other state educational funding. The funding model in which districts receive money is \$100 per student who completes a driver education course. Also, at the end of the year, excess funds are then distributed to 20 alternating districts. If this funding model is not sufficient for a particular district, a registration fee may be collected from the student.

Each district is responsible for submitting an annual report to Cathy Dudley expressing the revenue received from local resources to further help fund their driver education program and their expenditures. An example of a financial report from FY2001 was distributed to the board members and showed total expenditure as being \$6.1 million.

When asked by the board regarding the possibility of privatizing Driver Education, two problems were articulated. The first problem noted was Equity. Because of the vast rural areas of Utah, not all districts would have local or even convenient access to a privately run agency. Also, since money from the Motor Vehicle Tax is only given to the Office of Education, not all driving agencies are using the same funding model for registration, which creates a range between \$175 and \$350 per student. This expense could be costly for families if required to assume the entire cost. The second dilemma is the certification process for driving instructors. While public education requires a formal certification from a university, privately run companies have the jurisdiction to certify their own employees. Without mandated legislation regarding certification, the Office of Education fears that the quality in instructors would decrease.

Mr. Kesler thanked Ms. Johnson, Ms. Dudley, and Mr. Cramblitt for the enlightening overview on their program. Representative Pace expressed interest in inviting to the next board meeting a representative from the Utah Driver's License Division and a representative from the largest commercial driving company. Mr. Richins accepted the assignment to contact these individuals.

Conclusion of the Meeting

Mr. Kesler thanked the board members for attending the meeting today and asked that a letter be sent to all members articulating the cancellation of a July meeting and a schedule of remaining meetings for the year. Therefore, the next Privatization Policy Board Meeting will be held on August 13, 2002 at 10:00 a.m. in room 3150 of the State Office Building

Documents Distributed by State Office of Education
1. Organization, Administration, & Standards
2. 53A-13-201 Driver Education Classes – Utah Code Annotated
3. 53A-13-202 Reimbursement of School Districts for Driver Education Class Expenses
4. Financial Report for Utah State Office of Education 2000-2001

For copies of these documents passed out by the State Office of Education, please call Carrie Hickenlooper at (801) 538-3156.

Minutes of the Meeting of the Utah Privatization Policy Board

Tuesday, May 14, 2002 at 10:00a.m.

Room 3150, State Office Building

Salt Lake City, Utah

Attendees

Jim Kesler, Board Chair
Douglas Richins, Secretary
Representative Loraine Pace
Bill Barton
Liz Hawkins
Ramona Rudert
Norm Tarbox
Sharlene Thomas

Jay Dansie, Vice Chair
Commissioner Merwin Stewart
Douglas Durbano

Absent

Senator Bill Hickman

Visitors

Brad Simpson, Director of Motor
Vehicles, Tax Commission
Rod Marrelli, Executive Director of
Admin., Tax Commission

Excused

Representative Brent Goodfellow

Jim Kesler, Board Chair conducted the meeting.

Approval of the Minutes for April 9, 2002

With the change of a misspelled word, Ramona Rudert motioned for the approval of the minutes. Sharlene Thomas seconded the motion.

Overview of Outsourcing by the Division of Motor Vehicles – Presented by Brad Simpson and Rod Marrelli of the Tax Commission

The Division of Motor Vehicles has been pleased with their choice to outsource the service of registration, renewals, and plating to new and used automobile dealer associations and rental companies. Though these outsourced facilities add additional charges to the total price, customers have been pleased by this convenience. Motor vehicles has also entrusted State Fleet services to do their own plating as well.

To help the board better understand all components that form the yearly registration fee, Mr. Marrelli gave the following breakout:

- Registration
- Admissions
- Safety
- A uniform fee for property tax
- The cost for the Tax Commission to serve as a collection agency for public entities requesting special license plates to create revenues for fundraising purposes.

He explained that without all of the extra costs, Registration for a vehicle would only cost \$24.50. In order to better serve their customers, Motor Vehicles established an online registration system, which can accept payments by credit card. When asked by the board

why the online service charged \$3.50 more than if the customer was to pay at the counter, Mr. Marrelli gave three excellent scenarios.

- 1) To mail out the registrations and then receive payment by mail, it costs Motor Vehicles \$1.05
- 2) For an individual to wait in line and pay at the counter, it costs Motor Vehicles around \$1.30 (Mailing costs and staff costs)
- 3) Online renewal costs Motor Vehicles around .50. The money that customers are being charged for is the \$2.50 the bank charges for credit card acceptance and the remaining \$1.00 to the computer company that helps with the online system. The Tax Commission would like to be able to slightly raise registration fees so that the Tax Commission could absorb the credit card fee in hopes that online services would appeal to more users.

In conclusion, both Mr. Simpson and Mr. Marrelli expressed their desire to explore more areas that could be outsourced so that functions could be removed from their office to help taxpayers.

SJR 6 Agenda for Legislative Revenue and Taxation

Mr. Richins gave the board a briefing on the SJR 6, which passed and is now on the study agenda for the Revenue and Taxation Interim Committee. Mr. Richins gave the board the following website, <http://www.le.state.ut.us/Interim/2002/html/2002intrev.htm> so that the board may be informed of future meetings regarding this topic.

Sutherland Institute Auction

Mr. Barton informed the board that the Sutherland Institute was planning a fundraising auction for 8 charities including, Shriner's Hospital, Utah Boys Ranch, and Utah Food Bank.

Quasi-Government Agencies

Stemming from last month's discussion on future topics for the board, Representative Pace distributed a copy of a flow chart mapping out the Quasi-Government Agencies for the board's reference. During the upcoming month, she will have the Quasi-Government staff contact Mr. Richins with appropriate contacts for each agency. Representative Pace suggested also that the board invite the State Office of Education, Driver's Education Division to come and address the possibility of outsourcing this service to help alleviate Education's budget. Other areas also mentioned were: Custodial Services, School Breakfast and Lunches, and Transportation.

Mr. Kesler ended the meeting by expressing his appreciation to the board for the successful meeting and reminded the members that the next meeting will be held on Tuesday, June 11, 2002 at 10:00 a.m. in room 3150 of the State Office Building.

Minutes of the Meeting of the Utah Privatization Policy Board

Tuesday, April 9, 2002 at 10:00a.m.

Room 3150, State Office Building

Salt Lake City, Utah

Attendees

Jim Kesler, Board Chair
Representative Brent Goodfellow
Representative Loraine Pace
Liz Hawkins
Ramona Rudert
Commissioner Merwin Stewart
Norm Tarbox
Sharlene Thomas

Excused

Douglas Richins, Secretary
Douglas Durbano

Absent

William Barton
Jay Dansie
Senator J.W. Hickman

Jim Kesler, Board Chair, conducted the meeting.

Approval of the Minutes for December 11, 2001 and January 7, 2002

After a grammatical change to the January 7, 2002 minutes, a motion was made by Commissioner Stewart to approve the minutes. Ms. Rudert seconded the motion.

Letter From Attorney General's Office

According to the Privatization Policy Board statute the board has jurisdiction over the privatization efforts of all agencies. As per the discussion raised by the board on December 11, 2001, Mr. Steve Schwendiman, Assitant Attorney General, provided the board a letter stating whether or not Higher Education is considered to be included within the definition of "agency". Paraphrasing, the letter indicated that because higher education is governed by the Board of Regents, which has been considered as a state agency by Risk Management and the Federal Courts, that higher education therefore falls with the Privatization Policy Board's jurisdiction. Mr. Tarbox argued that all nine institutions pre-date the organization of the Board of Regents. Also, being familiar with the federal court cases sited within the letter led him to the opinion that to generalize their findings to the board's question could be a stretch. Mr. Tarbox accepted the assignment from Mr. Kesler to arrange a meeting with Bill Evans and Steve Schwendiman from the AG's office to continue this discussion.

Update on 2002 Legislative Session

Mr. Kesler reported that the SJR 6, the joint resolution urging a study of certain tax exemptions, which the board listened to on December 11, 2001, was passed in both the Senate and the House of Representative during the past Legislative Session. It was indicated that a task force is still being formed to investigate the taxing of governments when they compete with private enterprises.

Subjects and Areas To Be Considered For Future Meetings

Mr. Kesler opened the floor to the quorum to discuss possibilities for subjects and areas to be considered for future board meetings. The following were discussed:

- Tax Commission and their Motor Vehicle Registration (*Mr. Kesler will invite representatives to the next board meeting*)
- Re-invite UDOT to discuss their Crack Sealing procedures and costs
- Private Health Insurance Industry – The encroachment on the private market by public programs (*Commissioner Stewart will contact representatives for a future board meeting*)
- The Legislative Quasi Government Committee that deals with Quasi Government agencies. (*Representative Pace will research for any topics within this organization*)

Conclusion of the Meeting

Mr. Kesler thanked the board members for attending. It was agreed upon that the next board meeting would be scheduled for May 14, 2002 at 10:00 a.m. in room 3150 of the State Office Building.

Minutes of the Meeting of the Utah Privatization Policy Board
Monday, January 7, 2002 at 1:30 p.m.
Room 3150, State Office Building
Salt Lake City, Utah

Attendees

Jim Kesler, Board Chair
Douglas Richins, Secretary
Representative Brent Goodfellow
Liz Hawkins
Representative Loraine Pace
Ramona Rudert
Commissioner Merwin Stewart
Norm Tarbox

Excused

Douglas Durbano
Sharlene Thomas

Absent

William Barton
Jay Dansie
Senator J.W. Hickman

Visitors

Dr. H. Lynn Cundiff, President of Salt Lake Community College
Frederick VenDerVeir, Utah Public Employees' Association

Jim Kesler, Board Chair, conducted the meeting

Approval of the Minutes for December 11, 2001

The meeting officially began with an examination of December 11, 2001's minutes. Mr. Kesler believed the thrust of Senator Howard Stephenson's presentation to be the concern regarding the loss of funds that schools could receive from the RDA, which was not articulated within the minutes. It was decided that the minutes would be tabled until Mr. Kesler could have an opportunity to clarify Senator Stephenson's position.

Privatization Efforts at Salt Lake Community College

Dr. H. Lynn Cundiff, President of SLCC since April 26, 2001, was invited to address the board regarding privatization efforts within SLCC, particularly the IT area, the Bookstore, and Food Services.

Dr. Cundiff stated that the core mission of SLCC is teaching and learning, however, he adds that they are business oriented as well. Perhaps even more so than other Higher Education Institutions. With an outdated tax structure and the growth of 1,800 students in the past year, resources are dwindling and solutions are needed. Because of these dwindling resources, Salt Lake Community College is down 3 million dollars so far this year. Areas of improvement at SLCC are the: Information Technology Department, the Bookstore, and Food Services. Privatization was seen as a solution that could increase resources and revenue in each of these areas.

Privatization within Information Technology

When Dr. Cundiff began at SLCC he experienced struggles with the existing IT team. In particular was the concern for the quick turnover of their employees. Often an employee would be hired and then within three months be recruited to private industry. Because of this constant turnover and the lack of skills within the existing team, the college turned to Collegius, and awarded that private firm a sole source contract.

Collegius is a team which runs 130 different colleges' IT areas, specializing in distant learning facilities and the training of faculty. Existing employees of the college are guaranteed one year of employment (full benefits and salary) and are retained after the year if their performance meets standards. Problems such as sick and annual leave policies do differ between SLCC and Collegius and are being looked at. However, Dr. Cundiff expressed those employees who merge with Collegius often retain their employment for at least three years; this being the incentive that such differences can be worked out. Collegius also offers the college the ability to become an International Center for eLearning. By doing so, business people from all over the world would come and receive training in educational distance learning. Dr. Cundiff believes that this partnership will provide the opportunity for SLCC to net 1.3 million dollars per year.

Privatization within the College Bookstore

The lack of customer service at the college bookstore has been a top complaint by students. Also, the concern over the unstable revenue of the organization has raised the concern of Administration. For example, two years ago the bookstore was down \$75,000, but was up the following year by \$400,000. This year, however, they are on track again to lose \$70,000. SLCC is currently looking at the possibility of outsourcing the bookstore. Two bids have been received from companies who, between the two of them, run over 1000 college bookstores nationwide. Both of these bids guarantee that SLCC would net \$300,000 a year plus all employees would be kept and the awarded company would rent the existing space. The company would also buy the current inventory with the estimated worth being around one million dollars. SLCC would then invest the money into an escrow account to collect interest. This interest would provide an additional 60-70 scholarships. SLCC has not yet decided whether this area will be privatized or remain operated by the college.

Privatization of SLCC's Food Services

Salt Lake Community College is currently a few years away from formally considering the privatization of this area. Physically, the college is being remodeled to facilitate

outsourcing. Those who are contracted with would lease the available area and provide the college a percentage.

Conclusion of the Meeting

Mr. Kesler thanked Dr. Cundiff for his presentation and thanked the board members for attending. It was agreed upon that the next board meeting would be scheduled for March 12, 2001 at 10:00 a.m. in room 3150 of the State Office Building.

Please Note that this meeting was subsequently postponed to April 9, 2002 at the same time and location of the previous meeting.