

**MINUTES OF THE
QUASI-GOVERNMENTAL ENTITIES COMMITTEE**
Wednesday, May 24, 2000 - 9:00 a.m. - Room 405 State Capitol

Members Present:

Sen. David H. Steele, Senate Chair
Rep. Ron Bigelow, House Chair
Sen. D. Edgar Allen
Sen. Beverly Evans
Sen. Pete Suazo
Rep. Eli H. Anderson
Rep. Judy Ann Buffmire
Rep. Kevin S. Garn
Rep. A. Lamont Tyler
Rep. David Ure
Rep. Richard L. Walsh

Members Absent:

Sen. John L. Valentine

Members Excused:

Rep. Trisha Beck
Rep. Raymond W. Short

Staff Present:

Mr. Dee S Larsen,
Associate General Counsel
Ms. Glenda S. Whitney,
Legislative Secretary

Staff Excused:

Mr. Stewart E. Smith,
Managing Research Analyst

Note: A list of others present and a copy of materials distributed in the meeting are on file in the Office of Legislative Research and General Counsel.

- 1. Call to Order** - Chair Steele called the meeting to order at 9:05 a.m.
- 2. Committee Business** - It was noted that Rep. Beck, Rep. Short, and Mr. Stewart Smith, Managing Research Analyst, were excused from the meeting. Chair Steele asked the Quasi-governmental Entities Committee members to introduce themselves and the districts they represent. The public was also asked to introduce themselves.
- 3. Independent and Quasi-State Governmental Entities** - Mr. Dee Larsen, Associate General Counsel, distributed two handouts, "Quasi-governmental Entities Committee," and "Summary Chart, Utah State Government," from which he made his presentation. He briefed the committee on the legislation that created the committee and outlined the committee's responsibilities.

Mr. Larsen provided background information on quasi-governmental entities and explained theories on how they may be classified with reference to other governmental entities, branches, and subdivisions. He also answered questions from committee members.

Sen. Allen asked if there is a particular problem that this committee should be solving. Rep. Ure, sponsor of H.B. 118, responded that there is not a specific problem other than it should be the committee's main goal to be well informed on existing quasis and what they are doing. He further explained that the intention of the bill was to make committee members specialists in

quasis to determine if there is a need to form new quasis or if there is a need to keep the current ones.

Chair Steele emphasized that education of a legislative group to have more direct knowledge is the key behind this legislation. He said this is an attempt to be proactive in trying to establish relationships between entities. The chairs will target specific entities for the committee to discuss during the interim.

Rep. Bigelow asked committee members to refer to the list of potential study items and if there was a particular issue of concern, to let the chairs or staff know of that issue.

4. Utah Technology Finance Corporation (UTFC) - Mr. Duane Blackley, Executive Director, and Mr. George R. Sutton, Counsel for UTFC, distributed a booklet, "UTFC Lending Solutions," which was reviewed.

Mr. Blackley presented UTFC's summary of the proposed privatization initiative. He explained that in October 1999, UTFC was requested by House leadership to investigate the possibility of privatizing UTFC. Management of UTFC responded to the request by providing a concept paper on privatization to Speaker Stephens on January 4, 2000. He indicated that it was their joint conclusion that enough investigation had been done to submit its findings to the Legislative Management Committee, which was accomplished on March 29, 2000.

Mr. Blackley reported that in the final plan for privatization, it has been UTFC's primary goal to: a) Continue the economic development programs currently administered by UTFC; b) Return to the State of Utah the full residual value of all state assets currently utilized by UTFC; and c) Avoid conflicts of interest of UTFC's Board of Trustees and employees.

Mr. Blackley outlined the elements of the current plan regarding the organization, avoidance of conflicts of interest, and timing. He proposed organizing a private for-profit corporation, which will apply to the small Business Administration (SBA) for a license to conduct business as a non-leveraged Small Business Investment Company (SBIC), receiving its capital investments from Industrial Loan Corporations (ILC's or Industrial Banks) chartered in the State of Utah.

Mr. Sutton said that industrial banks, under their charters are required to invest a certain percentage of their assets back to the communities in which they operate. He indicated that this federal and state requirement is known as the Community Reinvestment Act (CRA). Mr. Sutton said UTFC believes that these industrial banks will invest in the SBIC to help meet their CRA responsibilities. Then the SBIC will conduct a community development loan fund which is CRA compliant.

Mr. Blackley reported that the UTFC is proposing a two-step process that would result in privatization. He explained that step one would convert the UTFC's loan portfolio into cash in preparation for privatization; and step two would then organize UTFC, ILC, a new private for-profit corporation. After the Small Business Investment Corporation license is granted, UTFC and ILC will purchase from the state significantly all of the state's assets for cash and effectively dissolve the current UTFC. He concluded that UTFC is hopeful that legislation repealing UTFC's charter can be brought forth in the 2001 session.

Rep. Garn spoke in support of privatizing UTFC stating that the government does not belong in the business of making high risk loans.

Rep. Bigelow raised the concern of the state's liability with UTFC.

Rep. Ure requested that for UTFC to report periodically to the committee on the progress of the initiative and also suggested for the Attorney General's Office to look over the state liability issue.

Mr. Blackley responded to questions from the committee, including questions about the amount of the state's investment in the UTFC and how repayment to the state might be structured.

Mr. Ronald Casper, Capitol Strategies Group, expressed concern with the precedents set in going from a quasi-government agency to a private agency.

Rep. Garn suggested addressing the following issues in preparing legislation: 1) to have legislation prepared by November and ready for the 2001 General Session; 2) to have a smooth and orderly transition not only for UTFC but for their employees; 3) to preserve the value of state assets; and 4) to avoid the issue of conflict of interest with loans.

MOTION: Rep. Garn moved to direct staff to work with UTFC in preparing legislation to privatize UTFC and present a draft by November for the committee to review in preparation for the 2001 General Session. The motion passed unanimously.

5. Other Items From Committee Members - Chair Steele asked the committee to review the state government chart that was distributed and suggested that if any member of the committee would like to specialize in a particular entity, to communicate that to legislative staff.

Sen. Suazo asked staff to reduce the chart that was used in Mr. Larsen's visual preservation for the committee to use as an aid at future meetings.

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6. Next Meeting Date and Time - The committee set the date of Wednesday, June 28, 2000, at 9:00 a.m. for the next Quasi-governmental Entities meeting.

7. Adjourn -

MOTION: Sen. Suazo moved to adjourn the meeting at 11:20 p.m. The motion passed unanimously.