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**Members of the Government Operations Interim Committee
Utah State Legislature**

2015 Interim Report of the Free Market Protection and Privatization Board

The Free Market Protection and Privatization Board (“the Board”) has met regularly in 2015 as it seeks to fulfill its duties, as established by the legislature (see UCA 63I-4a-203(1)), to:

(a) determine whether an activity provided by an agency could be privatized to provide the same types and quality of a good or service that would result in cost savings; (b) review privatization of an activity...; (c) review issues concerning agency competition with one or more private enterprises...; [and] (d) recommend privatization of an agency if a proposed privatization is demonstrated to provide a more cost efficient and effective manner of providing a good or service.

This interim report is required by the *Free Market Protection and Privatization Board Act*, which directs the Board to:

(h)(i) prepare an annual report for each calendar year that contains: (A) information about the board's activities; (B) recommendations on privatizing an activity provided by an agency; and (C) the status of the inventory created under Part 3, Commercial Activities Inventory and Review; (ii) submit the annual report to the Legislature and the governor by no later than January 15 immediately following the calendar year for which the report is made; and (iii) *submit, before November 1, an annual written report to the Government Operations Interim Committee.*

Update on Prior Recommendations to Privatize an Activity

In January, the board issued its annual report for 2014 and included recommendations to develop a property damage subrogation pilot project and to eliminate unfair competition and privatize the state's student information system.

1. Property Damage Subrogation Pilot – Department of Transportation

The property damage subrogation pilot would have outsourced on a trial procurement basis property damage claims management involving state highway infrastructure. However, certain legislative changes were needed and the proposed bill (HB 370) failed in committee.

2. Student Information Systems – State Office of Education

The board recommended five changes to eliminate unfair competition in student information systems (SIS) and made two recommendations concerning the privatization of Aspire, the state-developed, owned, and operated SIS.

During the legislative session, the State Superintendent of Public Instruction indicated a willingness to work on the proposals during the interim and the Public Education Appropriations Subcommittee moved that the State Office of Education implement the board's recommendations.

While the board is awaiting a progress report from the State Superintendent of Public Instruction, we understand that the State Office announced and then withdrew a change in financing Aspire. The withdrawal was because charging a fee for the SIS needed to be approved per the legislature's fee approval process and it had not yet undergone that process.

We suggest that the legislature's Public Education Appropriations Committee pursue the several recommendations further.

Information about the Boards Activities

Last year, we noted that the Board needed a workable process for the identification and evaluation of potential privatization opportunities. It hired a consultant to assist us in developing a set of principles, assessment tools, strategies, and approaches consistent with its duties. In April, the Board approved a monograph entitled **Process for Evaluation of Alternative Service Delivery Strategies**. The process includes two surveys that help identify and evaluate the various elements pertinent to a privatization

recommendation. The process also outlines a recommended cost analysis and performance contracting guidelines.

Staff relies on the first of two surveys to inform and update the Commercial Activities Inventory.

It is noteworthy to point out that while the most common privatization activities are contracting out, selling assets, or some form of public-private partnerships, the Process identifies 14 alternative service delivery strategies, hence we have omitted privatization from the name of the monograph.

Still, we recognize that more work needs be done to help agencies see the process of evaluation as a helpful tool not a threat to people and programs in state agencies.

Looking forward, board members identified Corrections, SITLA, National Guard, Alcoholic Beverage Control, and the Governor's Office of Economic Development, the Fund of Funds and Community Impact Board as agencies and programs to look at in the near future.

Highlights from agencies specifically reviewed this year are below. Staff is currently looking at certain functions at Corrections, certain Career and Technical Education programs in public education, and has started some preliminary work on other functions.

1. Health

The board's evaluation process initially identified State Labs as a possible study decided the public policy benefits outweighed any potential savings. Health indicated that they were working on a privatization effort regarding pharmacy rebates which has been confirmed as moving forward in January. A future decision on Medicaid Management Information System (MMIS) support outsourcing is at least two years into the future. Even so, MMIS is being developed with private sector partners already.

2. Alcoholic Beverage Control

Prior to the process now underway at the Governor's direction, DABC met with the board to discuss its programs. The Washington State experience with privatization was discussed. While there is some interest in looking at DABC further, the board declined any specific direction.

3. Transportation

UDOT staff has been looking at the feasibility of expanding contracting of certain maintenance activities. A report is expected later in the year.

Status of the Commercial Activities Inventory

Section 302 of the *Free Market Protection and Privatization Board Act* requires the compiling and posting of an updated inventory of activities of the agencies, classified as to whether the activity is commercial or governmental in nature. Work on the inventory is ongoing.

Respectfully submitted,

Free Market Protection and Privatization Board

Kimberley Jones, Chair	Manuel Torres
Jacque Nielsen, Vice-Chair	Al Manbeian
Sen. Howard Stephenson	Robert Myrick
Sen. Karen Mayne	Russell Anderson
Rep. Johnny Anderson	Rick Jones
Travis Dimick	Steve Fairbanks
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For copies of this report, past reports, minutes, the Commercial Activities Inventory, or other Board materials, please go to <http://gomb.utah.gov/operational-excellence/privatization-board/>, or contact Clifford Strachan, Program Specialist, Governor’s Office of Management and Budget, at 801-538-1861. Information on meetings is posted on the Utah Public Notice Website at <http://www.utah.gov/pmn/index.html>.