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Iowa Charter Agencies: Did they Work?

By **Jim Chrisinger** and **Cynthia Eisenhauer**

Iowa's auditor recently issued a report characterizing Iowa's award-winning Charter Agencies program as having "flunked its goals."

As key participants in that effort, we believe the auditor missed the point.

The Charter Agencies program was an initiative under former Democratic Gov. Tom Vilsack, which granted six agencies greater operating flexibility in return for better results and cost savings.

Rather than look at the overall impact of this initiative, state Auditor David Vautt, a Republican, attempted to determine what savings could be directly linked to the agency's enhanced flexibility.

His own office acknowledges the challenge of this approach. "It is extremely difficult, if not impossible, to tell how much it saved," Warren Jenkins, chief deputy auditor told the *Des Moines Register*. "There was no verification that what they reported resulted from the initiative or if it came from any other reason."

We believe this is the wrong question to be asking. Who cares if the cost savings realized can be traced to the different rules? The actual goal of the Charter Agencies program was to get better results for less, and every charter agency achieved that goal.

Nothing in the initiative required or even sought cause-effect linkages. Charter Agencies sought to holistically improve public value, not mechanically improve the workings of current activities.

It worked. The Charter Agencies program showed improved results. A few examples:

- Human Services reduced child welfare shelter stays by 20 percent, or 10 days, and 34 percent more low-income children received access to health-care coverage.
- Corrections reduced probationers' failure rate by 17 percent and increased the amount of restitution paid to victims by 23 percent.
- The Department of Revenue (DOR) improved the rate of individual income tax refunds issued within 45 days from 75 percent to 94 percent.

Charter Agencies also raised millions of dollars in new revenues, and not by simply charging new fees or raising rates. DOR collected more of the tax money it was owed. Alcoholic Beverages

adopted a more business-like approach to its pricing and internal operations. Natural Resources sold Iowa conservation-related hats, sweatshirts and other merchandise.

Charter Agencies also "saved" money, but not by shaving this line item or that line item. Instead, money was "taken off the top" at the beginning of the fiscal year. This approach says, "If we have this much money, less than before, how can we best spend it to achieve our results?"

The difference may appear to be subtle, but its impact can be large. More than \$1.5 million was taken off the top from three of the Charter Agencies in the first year. While that's not a huge sum, this feature did at least pioneer the concept of a money-for-flexibilities trade-off in Iowa state government. The six Charter Agencies generated over \$22 million in combined savings and entrepreneurial revenue in the first year, easily exceeding the \$15 million target.

We do not claim these results were directly linked to specific flexibilities awarded to Charter Agencies. We do claim that Charter Agencies helped achieve them, and point the way toward a better way of "doing government" in the 21st century. We will not overcome the current financial crisis, improve American competitiveness and close government's credibility gap with the public through incremental, mechanical improvement.

The most important question here was, "Can Charter Agencies create more public value and help close the budget gap better than 'regular' agencies?" We believe the results are a resounding "Yes."

Jim Chrisinger

Jim Chrisinger is a GOVERNING contributor. He is a Senior Partner at the Public Strategies Group.

E-mail: jim@psg.us

Cynthia Eisenhauer

Cynthia Eisenhauer is a GOVERNING contributor. She completed 34 years in public service in January 2007, most recently as Chief of Staff for Iowa Governor Tom Vilsack and Lt. Governor Sally Pederson.

E-mail: Cynthia@psg.us

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