



Iowa Charter Agencies Streamlining State Government

Jim Chrisinger

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THE HON. STEPHEN GOLDSMITH

I'm with the Innovations in American Government Program at Harvard and an alum of the Manhattan Institute. I was a consumer of everything that the Manhattan Institute and the City Journal put out for years. Then I was elected mayor in Indianapolis.

Harvard gives out about \$700,000 a year in awards to the best innovators and entrepreneurs in government around the country. We're delighted to cosponsor with Larry the presentation of one of those most interesting award winners today. So I'm here in both hats in terms of the Manhattan Institute's Center on Civic Innovation and Harvard's Innovations program.

Let me just begin by explaining why I think what Iowa has done is so interesting. I was in the privatization battles early on. So was Steve Savas, who writes about privatization. I campaigned about privatization and won. We modified privatization, the competition having public employees bid against private sector. And the goal was to not necessarily to reduce the scale of a particular service but to say, okay, if government's going to deliver this public good it might as well do it efficiently. So let's try to

find the most effective and efficient delivery system. Candidate George Bush appeared at the Manhattan Institute and gave one of his most important and most controversial campaign speeches in the first campaign. He addressed the position that conservatives have said government is the problem and liberals have said government is the solution. The President said, we're not going to run a campaign against government, we need to change government, we need to modify government but even those of us who believe in small government should also believe in efficient government.

So fast forward that to today and the way I connect the dots is as follows. Even if you inject privatization and competition, if you don't enable the public sector to perform to its highest and best level, the residual benefit of privatization and competition can't accomplish very much. Rather, the purpose of injecting a little bit of privatization or a lot of competition is to create a structural hammer that allows the public sector to perform. But if the public sector is imprisoned in the traditional bureaucratic command and control system it can't respond, it can't perform.

What is interesting about what Jim Chrisinger and Governor Vilsack have done in Iowa is they've come up with a model, which basically says we're going to give you the authority to perform and we're going to hold you accountable. And if you perform you can have more and more discretion. And the more discretion you have, the better you can perform, which actually reverses 50 years of progressive government that says you can't trust city or state officials and the best way to make sure that they don't abuse their discretion is to remove their discretion. So the Iowa model says we're going to give you discretion and we're going to hold you accountable. So Jim has taken his Phi Beta Kappa background from Iowa State and has overcome his law degree from Berkley, and he had run this Accountability and Performance Center for the State of Iowa. The governor for whom he works is a very talented, energetic and intelligent fellow who is committed to improving government. His charter program in Iowa won the Innovations award.

MR. JIM CHRISINGER

I am from the government. I'm here to help. What I'd like to share with you today is Iowa's journey over the last five or so years.

Iowa has a reputation for good, well-managed government so that when our revenues started to go downhill in 2001 we thought we could handle it. And we did the usual stuff: we moved some money around between funds, deferred some maintenance, did some across the board cutting and that got us through the year. Well they went down again second year. We had to dig a little deeper. We did the traditional top to bottom review. We did some consolidations, restructured some departments, sought suggestions from a wide variety of people, implemented some good ideas like an early retirement incentive, and got through that year. Revenues went down a third year. And the fiscal year began with another significant across the board cut for agen-

cies that had already taken cuts the prior two or three years. And all during this time we were doing a lot of what we think are the best management practices. We were doing strategic planning and performance measurement. We were trying to be more results oriented. We were doing some activity-based costing. We were doing all the right things, but it wasn't enough. We came to the conclusion that we had to do government in a different way and we were probably going to need some help to do it.

We'd run out of ideas from our bag of tricks so we issued an RFP for a reinvention partner. And we said we didn't have any money to pay for it so you need to propose a way to pay for it. And we got on board with a group called the Public Strategies Group from St. Paul, Minnesota. Several of them are here today. And they became our reinvention partners and guided us on the journey we were about to undertake. With their help, we began to see that the fundamental problem is the bureaucratic system—this paradigm of government that we'd been using for the last 100 years, this centralized, hierarchical, standardized, and most of all, rule-bound paradigm of government that we adopted collectively in the early 20th Century. We began to see how pervasive it is, how much it gets in the way of everything we try to do, any kind of reform, any kind of effectiveness, efficiency kind of efforts we were undertaking. It's part of our DNA. It was our DNA. One of the ways you see this is by looking at how many people, how many dollars you put into doing what. One of the characteristics of bureaucracy is that by all means we're going to control inputs. So look at how we control inputs, which are basically dollars, how many accountants, how many auditors, how many budgeters, how many people. We have hundreds of people in our state government, millions of dollars devoted to tracking every penny. How many people do we have tracking results? How many people for whom their number one job is to make sure all this activity and all these dollars are producing something for people? I don't think we have one. And I think that's true of most governments.

So that led us to the question: What are we going to do about it? How are we going to attack bureaucracy? Most of our reform efforts, most of our effectiveness efforts, take place in a certain policy area. We're going to do welfare reform, we're going to have school choice, we're going to do all these things. And what we find is that all those things are hindered and blunted by this bureaucratic culture and DNA that they have to function in. So how can we take that on? How can we systematically across the whole spectrum of what we do? How can we take that on?

With Public Strategies Group's help we came up with this idea of charter agencies. And we said we wanted some volunteers. Who wants to volunteer for a different deal? You can continue with the same bureaucratic deal, which is basically following the rules, staying out of the newspaper, and we fund you. But if you want to be a charter agency, we will offer you a different deal. If you're a charter agency you have to produce measurable results for people, improve those results, and by the way, one of those results has to be helping us fill our budget hole this year. You have to come up with some money to help us with our budget problem. If you do those things then we will free you from as much bureaucracy as we can muster. And so we were essentially offering them a different trade off. It's not like the old system doesn't care about results. It's just that in the old system the rules are the most important thing. Yes, we want some results, but by all means don't mess up. We wanted to flip that so the most important thing is the results. Yes, we need some rules. Rules help us, rules are good things, but they shouldn't be the most important things. Or another way to look at it is to think about it as a different kind of accountability. Agencies feel plenty accountable today but what they're accountable for is following the rules and not messing up, not making mistakes. We want them to feel a primary accountability towards producing results. We want getting things done to be more important than not doing anything wrong, which is a huge 180-degree kind of culture shock.

So we had six agencies sign up. The Department of Natural Resources reduced turnaround time for air quality construction permits, from 62 days to 6 days, and eliminated a backlog of 600 applications in 6 months. They reduced the turnaround time for wastewater construction permits from 28 months to 4 and-a-half months. They reduced the turnaround time from 187 days to 30 days. And they did all this without sacrificing any environmental quality.

Our Department of Human Services improved their success in returning children who had had to be removed from their homes back to their families. The rate of non-reentry into foster care rose from 76% to almost 90% in the last quarter, while stays in shelter care have been reduced from an average of 50 days to 40 days.

The Department of Corrections reduced their probation failure rate by 17%. And our inmate community service hours are up 25% in the last 18 months.

Our Veterans Home, which is essentially a care facility, reduced by half the number of residents who were experiencing moderate to severe pain: 7.7% now versus 15.5% two and a half years ago. Ninety percent of admissions are now completed within 30 days as opposed to sixty-nine percent before.

The Department of Revenue improved their rate of income tax returns filed electronically from 55% to 63%, and improved the rate of individual income tax refunds issued within 45 days from 75% up to 94%.

Our Alcoholic Beverages Division's (we're one of about a quarter of the states that still has a wholesale liquor monopoly) performance measure is dollars to the general fund. And in the last two years, they have increased that by 17%.

They also had to produce dollars. Collectively, charter agencies have to come up with \$15,000,000 a year ongoing. The first year they came up with 22,000,000; the second year they came up with 20,000,000. That's where we are. We're proud of those results but I don't think they're the end. I feel like we're really just scratching the surface.

We're really just turning the cultural corner here, but I hope they are indicative of where we're headed.

So what about agencies that chose the flipside of the transaction? What did they get? How are they freed from bureaucracy? One of the ways is what I call stand in the shoes of authority. Think of the central control agencies, the real keepers of the bureaucracy, personnel, and general services. General services in our system are the nuts and bolts of things like procurement, printing, the fleet, custodial services, etc. So for human services, personnel, general services and IT, if you're a charter agency you have all of the authority of the director of personnel, general services and IT. So if they can do it, you can do it. You need to follow the rules but you don't have to go through them. So for example, there was a car of the Department of Corrections. This car and a deer met on a southern Iowa road around a curve at dusk and neither one survived. Corrections went to general services and said well we need to replace this car, it was totaled. They said okay, we'll put you on the list. Here's where we are in the cycle of buying cars and you'll have your car in 15 months. They shook their heads, and because they're used to dealing with the bureaucracy, they just walked away. And then all of a sudden somebody said wait a minute, we're a charter agency. If they can buy a car we can buy a car. So they went back to general services and said wait a minute, we don't have to wait 15 months. Low and behold they got their car in about four or five days.

Another thing that the Corrections Department has been very good at is using their personnel authority. Instead of hiring out one private entity to do everything, they decided, we think we can do a better job if we are essentially the general contractor. And then we are going to sub with eight different best-of-breed private companies to do each aspect. So we're not stuck with this one company doing the whole thing. We want the best of various parts of the private sector to do that. And they were able to do that because of their procurement authority.

They are also freed from FTE caps or employment caps. Our legislature says the Department of Natural Resources can only have so many employees regardless of what it has to do and how much money it has from various sources to do it. So they were required to contract out certain functions that they felt would be better done in-house. They are now able to actually hire some people and save money doing that.

We have something in Iowa called the Executive Council, which is a board of all the statewide elected officials sitting as a committee. So the governor, the attorney general, the auditor, the treasurer, and that council has to approve every state employee request for out of state travel, every public or every professional membership request, and every conference attendance. So we said that charter agencies don't have to go through that process. You can imagine how much time is wasted in council. In the old system there was one air ticket contractor and everybody had to go through them. This way charter agencies can say okay, what's your price? Now they can go online check Orbitz or Expedia. They get a better price. They buy them there, and that's that.

They also have the authority to waive any administrative rule in the three areas of personnel, general services and IT. Interestingly, they've been very ginger about trying that. The only time they've used that so far is to correct mistakes that they weren't able to correct otherwise.

They also had access to a \$3,000,000 innovation fund, which was essentially a forced reallocation of money. It provided a source of money to fund innovative ideas that wouldn't have been funded otherwise.

Those are just some examples. However, note that there's not necessarily a direct relationship between not having to purchase that travel ticket through the contractor and the results or the savings that were produced for the charter agencies. What we're trying is more systemic than that. It's

not as simple. And that's frustrating to some of our legislators and other people who want to see those things directly qualified. But the time and the energy that's saved by not spending and not wasting time, all these non-value added consequences are very hard to quantify. It's all about shifting the time and energy. What are we focusing on? Following the rules? Not making mistakes or achieving results for people? That's what it's really all about and that's what charter agencies try to do.

Collectively, charter agencies have to come up with \$15,000,000. They could do that one of two ways. They could, first, forego some of their budget, essentially giving back some of their budget. And some people did that. For example, the Department of Human Services gave up a million dollars and they are continuing to give us a million dollars a year. Imagine how that sounds to Human Services constituencies. You are taking food out of the mouths of hungry children by giving up that money. So it was a courageous thing for the director to do.

We also said that if you don't, or can't, take that budget cut, you can still produce some additional revenue. But you can't do it in a non-entrepreneurial way. You can't just jack up your rates or your fees or create a new fee. You have to do it in an entrepreneurial way. So for example, the Department of Revenue is actually collecting more taxes that were already owed. These are not new taxes they are just doing a better job of collecting taxes already owed.

The Alcoholic Beverages has been our single largest contributor to this. They were able to do it by essentially abandoning a very sort of rigid bureaucratic structure for the way they did their wholesaling. Under the bureaucratic model, every wholesale product had the same markup. Now they are able to say, wait a minute, that's not very smart. If we vary our markup we'll sell approximately the same amount, but we'll bring in more money to the general fund. This is what they've done, because there's obviously a downside politically to just trying to sell more liquor.

Our Department of Natural Resources was entrepreneurial by opening something they called The Nature Store, selling T-shirts, sweatshirts, caps and whatnot with conservation and wildlife preservation logos and slogans. That's pulling in a little extra money for them. They also got more effective at collecting fines. Under the bureaucratic system all those fines that were collected just went into the general fund. There was no benefit to them for collecting them. But now there is an incentive. They can meet part of their obligation of the 15,000,000 by being more effective.

Not every positive outcome was directly attributable to the charter agency authorities and flexibilities. This is the halo effect. We found that it was so energizing for charter agencies to get outside the box that all of a sudden they thought about things they could do that didn't specifically require charter agency authority. But they tell us they never would have done otherwise before, because they were stuck in the box. For example, our Department of Corrections partnered with the local racetrack and created a thoroughbred retirement fund. And it's a good thing for the inmates to work with animals. And it's a good thing for the horses to have a good place where they are retired to. There was nothing in charter agency authority they had to have to do that but they wouldn't have done it otherwise. Our Departments of Human Services and Corrections are now consolidating their purchasers of pharmaceuticals. And they are both large purchasers of pharmaceuticals. That saved a considerable sum, again, not necessarily required, but very helpful.

We've learned that the bureaucratic paradigm is extremely resistant to change. There are many barriers and they're difficult to overcome. Maybe the biggest one is just inertia. Even though our charter agencies have done wonderful things, they are still just scratching the surface. They have approached this very gingerly because the power of the paradigm and the downside risk of mistakes are so acculturated. That means that those of us who are

undertaking this need to do a lot of handholding and a lot of assurance. A lot of assuring that the statute does say that, and you really can do that. For a while we adopted the Nike slogan “Just do it.” And we were trying to get people to just do it, but that’s difficult for them.

Interestingly, I think the politics have been less of a barrier. I think, as Mayor Goldsmith found out, these kinds of things are not Republican or Democrat things. This is a good government thing. And we’ve not had significant political opposition. The only political opposition we’ve had, I think, is people of the other party who don’t want something the Governor is proposing to succeed or look good. The media’s “got ya” culture is very much a barrier because that’s the primary source of the downside risk of trying something and maybe making a mistake. So we’ve got to help and we’ve been working with some of our reporters. And that’s where the Innovations in American Government award has been very helpful. It gives us a lot of credibility with people and with legislators. After winning the award, it’s very hard for me to imagine going in front of a legislative committee and really having to defend ourselves like we did in the early days. That kind of legitimacy is very important and it takes a lot of hard work.

So what does it take to overcome those kinds of barriers? I want to highlight four keys. First, changing the DNA begins with and requires courageous leadership. We have been blessed with Tom Vilsack as a governor, who has been willing to undertake this and support us. Our charter agencies were courageous as well. Six directors stepped up and volunteered. In almost every case they did so over the almost uniform objection of their senior staffs. It takes courageous leadership to overcome that. In New York City, I understand the Mayor’s talking results-based and that’s a good direction to move in. I also understand that Martha Stark, who is the Commissioner of Finance, is on this journey.

The second key to change is the value of outside help. Even Tiger Woods needs a coach, and it was very helpful for us to have Babak Armajani

on board. It leverages our resources. I can only do so much. The people who work with me can only do so much. For example, I talked about handholding the charter agencies. There was a Public Strategies person working with every one of those agencies. Mary Levy was one of those people and she was a super coach. They needed that. You can’t just say here’s something that you can go do and expect them to go do it; it’s not going to work that way. They also gave us credibility. As the 50-mile rule says, you can’t be an expert within 50 miles of where you live. If I said it, it just wasn’t going to be credible. They’ve had successes around the world that were credible. And lastly they took some heat. Change causes friction, friction causes heat, and thankfully Public Strategies Group was willing to take some heat for some of what we were doing.

Third, charter agencies are a great lever of change but alone they aren’t enough. We’re doing a lot of other things that are along this same reinvention road. For example, the new accountable government act creates a performance and planning framework for the state. A web page, ResultsIowa.org, makes our results transparent to the world and puts pressure on people to produce results. We’re also doing a new budget system; the budgeting process is probably the biggest lever of change in government. We’re doing something called purchasing results, which is a market-based budgeting process that gets to a lot of change that can be very reinforcing to charter agencies and vice versa. We’ve borrowed some process improvement techniques from the private sector. For example, we’ve used Kizan and another smaller one called Zoom that has produced very dramatic results in process improvement. And then there’s something we call entrepreneurial management with inside support services. We’ve taken a market approach to those too, essentially opening a bunch of them up to market competition. And still others have been put in charge of a customer council where the customers actually run the service and negotiate with the providers over price and service levels. Most satisfying is the synergy between these various kinds of initia-

tives. For example, charter agencies have got that bug, have got that spark. Then when they get involved in the purchasing results budgeting process they make more creative, aggressive offers in that process to provide more value. Charter agency people sit on customer councils in entrepreneurial management. They push our inside service providers harder. When those things begin to happen, that's when we really feel like we've got culture change.

So even though I am very proud of all we've done, we're not there yet. In addition to courageous leaders, great coaches, hard work, and persistent and comprehensive innovation over time there is a fourth element that is needed: people who are working with government—people like Public Strategies Group—and other consultants are working on the supply side. They are increasing the supply of reinvention, the supply of a new way of doing government. But working the supply side alone doesn't make it happen. We need a demand strategy as well. Organizations like the ASH Institute, the Manhattan Institute, and other groups out there have to work the demand side. If we get to the point where we've got the supply side cranking hard, and we've got a demand side pushing us, then I would be able to stand up in front of a group and say I am from the government, I am here to help, and nobody will laugh. Thank you.

MALE VOICE:

In your list of observations at the end you mentioned bureaucracies being resistant to change, but in most states you would also have to add to that list the legislatures. They are resistant to change and have the power to prevent the change regardless of whether you can get bureaucracies to buy into it or not.

Question: there is an oncoming train for all states, and that's healthcare costs. Other Postemployment Benefits (OPEB) takes effect in fiscal year 2008. The fact remains that healthcare, not just OPEB, but also Medicare and Medicaid, is so monstrous in size that it is going to hamstring a very

significant proportion of the states in this country in terms of getting somewhere else from where they already are without severe pressures. I'm wondering how you think that ties into what you're trying to accomplish. Perhaps it's the hammer that gets the change that's needed.

MR. CHRISINGER:

Yes. It's a crisis, but it's also an opportunity. Let me address your last point first. Absolutely, not every state had the kind of fiscal crisis we did. We actually had three successive years of lower, nominal revenues. So only in this fiscal year, fiscal '06, is our general fund spending again reaching FY '01 levels. That kind of crisis brought us to the point of realizing that we can't keep doing business the usual way. Even if states haven't experienced that yet, they will for the reasons you site and more. The costs to educate, incarcerate and medicate are going to drive people there even if they aren't experiencing it now. And I think our task then is to use that lever to change. To say we can't keep doing business in the bureaucratic paradigm, we have to make this switch, which leads me to your first point, which is legislatures. When they come to you and they want the campaign check then you need to say where you stand on reinvention. Unless there's pressure on them, I don't think they're going to buy it from us totally. We can do our part to educate and show them the value of doing it this way, but that's why we need to work on this together.

MALE VOICE:

Did the charter agencies have the authority to look into outsourcing for example, whether it be rubbish removal, or city or state appraisals, or doing real estate valuations as opposed to independent real estate firms or many other ways of outsourcing? Was that within your authority, and if it was, did they look into it or what were there opinions on it?

MR. CHRISINGER:

I don't think there are any huge barriers in our system. That has not been the philosophy of our current administration. So I don't think there has been an interest in outsourcing in general but that might change.

MALE VOICE:

I think it's a wonderful scenario you paint but Iowa is a good government state. And all of this when you took away all the restrictions, all the rules and regulations to free them up, it works fine in a good government state. I used to live in Wisconsin. This worked there as well. What if this was applied to New Jersey? Now certainly, you must have addressed the problem in Iowa. No state is 100% squeaky clean, but can we say this would work in New York City where corruption is a way of life? Or work in New Jersey? In the south, where it would be most needed, you have long histories of corrupt government, in Louisiana, for example.

MR. CHRISINGER:

Yes, and Louisiana's looking at it because they're under pretty severe pressure right now. I don't think we know the answer because it hasn't been tried. But I want to emphasize that despite the way some people talk about it, it's not like the rules all go away. It's not like the accounts aren't audited. It's not like nobody's watching. It's a matter of emphasis. Government, even in some of the lesser clean states, does a remarkable job of not mispending funds. I think the question is if the cost is worth it. So it's not about no rules. It's about emphasis. It's about what's most important here. And there is room for customization. You wouldn't have to do this exactly the way we did it. In fact, what I'd recommend is if some jurisdiction wanted to undertake this, they should ask where are the big barriers, and where are you spending the most non-value added time?

MALE VOICE:

Just wondering if Iowa is doing anything about the demand side right now?

MR. CHRISINGER:

I'm out here doing this kind of talk. I'm going to every Rotary of any size trying to enlist people and educate people. But I think it's going to be more effective. Editorial boards, for example, are generally more receptive. It's hard to get beat reporters interested because this is not the kind of thing that makes news. But I think we just have to use all the levers we have. Good government groups are the ones I think who are going to have to drive it.

DR. LARRY MEAD:

Larry Mead from NYU. Say a bit more about the reaction of the bureaucracy to this initiative. Was there enthusiasm? Was there massive resistance? How did the leadership get the lower level bureaucrats on board?

MR. CHRISINGER:

It's been very mixed. Some people take to it like ducks in water, thinking this is great. We have watched the transformation of some long-time dyed in the wool bureaucrats, with their whole lives in the system and all of a sudden it's like they've come alive, they blossomed. You have other people whose heels are still dug in and are out-waiting us. They're the "be" team, the team that was there when we got there and will be there when we leave. But it's very exciting that you're getting people moving and you don't have to have everybody bought on. You just need a critical mass and it's nowhere near 50%. We just have to keep working those people and bringing them in. When I'm addressing a group of them, I try to talk about what's in it for them: here's how your work life is better, here's how things can be

more satisfying. And ultimately here's how we get out from under the "starve the beast crowd." In the long run where does that get us?

MR. STANLEY GOLDSTEIN:

Stanley Goldstein, New York Hedge Fund Roundtable. About 70 years ago the federal government forced all the states to adopt unemployment insurance laws by saying that you're going to pay for it whether you adopt it or not. Is there a role for the federal government to use their purse strings to encourage states to do what you're doing right now?

MR. CHRISINGER:

I don't know. I would hope so. And I would hope that there is a better way of doing it, but I'm feeling like that's beyond my competence. That's a good question.

MALE VOICE:

If you strip out integration since 1970, New York State has had the worst population performance of any state in America. If you add it back in we're 47th worst, but there are three states ahead, one of them is Iowa. Is population an issue in Iowa?

MR. CHRISINGER:

Our demographics are like we're heading off a cliff and it's really hard to get people to do something about it. We have an aging population. Our biggest export is not agricultural products; it's our college graduates. We're a state of less than 3,000,000, and we lose 10,000 to 15,000 a year. We don't have young families, so we don't have the kids. I live in a town where we've closed three elementary schools in the last five years, which was very painful. In an environment like that we can't

just keep doing business as usual. We just have to get better; we have to get more efficient. But it's a huge problem for Iowa.

MR. HENRY STERN:

Henry Stern. What other states have done what Iowa has done? And what's the experience around the country with your particular program?

MR. CHRISINGER:

I don't know of anybody doing the charter agency thing. The budgeting we're doing is more widely experimented with right now. The first state that tried it was the State of Washington. We are right behind them and I think we're kind of trying to build on and evolve what they started. There's a nice book called *The Price of Government* by David Osborne and Peter Hutchinson that lays this out. Michigan and South Carolina are both pursuing this. It's a very market-oriented budgeting model. And it tries to get away from the traditional budget. Government budgeting basically is you take last year's numbers and then make them incremental. Then you fight incrementally around the cuts and the adds. We tried to do away with that completely and say okay, we've got X amount of money to spend. How do we best spend those dollars and create a marketplace so that the buyers, the political leaders, the legislature, and the governor, make the best choices about how to spend that money as opposed to just using this incremental approach. So that's very exciting. We're seeing more experimentation around the country, not only at the state level but also in certain cities and counties. So if you'll go out and spread the word we'll get some more.

This is obviously a zero-based approach, but it's a different approach and it'll be interesting to see how it plays out.

MALE VOICE:

I think many mayors have complained about the fact that the state governments inhibit their ability to get things done within the cities. I don't know if that's a problem in Iowa. It is certainly a problem in New York. And I've heard rumors that even in Indiana it's been a problem.

MR. CHRISINGER:

You know, it is a problem in Iowa. And another project we undertook that didn't work very well was essentially along the same lines as charter agencies. We know this problem existed between local government and state government, so we tried to set up the same kind of deal. We said, because this was the third year of the budget cuts and it was very clear that the local governments, who hadn't taken a hit yet, were going to take a hit in the amount of local aid that was passed to them. They were going to take a hit. They didn't want to admit it, but they were. So we said, instead of just taking the hit let's try to get them something for it. So we went to the legislature with a package like that; this amount of cuts, this amount of freedom. And by the time the legislature got done with it the cuts had gone up to here and the freedoms had gone to practically zero. So they are very unhappy about reinvention. Local governments perceive reinvention in Iowa as this horrible debacle. I think that was an area where it didn't work because the legislature didn't buy it.

FEMALE VOICE:

Given the population issue in Iowa, what are you doing about healthcare costs?

MR. CHRISINGER:

Well so far our healthcare costs are not eating us as badly as they are in a lot of other states. Our Medicaid costs are only about 18% of our budget, which is several points lower than in most states. I think we've been very aggressive. And the Iowa Medicaid Enterprise has been pretty effective and we're still trying to expand services. So far we feel like we're doing okay with that battle but I think there's more to come. And I think we're going to have to keep after that. But again, charter agency authority gives them a little more freedom and a little more confidence that they have the tools to deal with it and that's what I think is important.

FEMALE VOICE:

Could you talk a little bit about the ways that you're measuring performance? Whether the agencies themselves are free to determine on their own what their performance measurements are? Whether you as the sponsor of this program are overseeing and therefore becoming a new oversight agency in terms of the reporting? Who determines what is worth reporting and who checks that the reports are accurate?

MR. CHRISINGER:

Our measurement framework begins with a performance agreement. The department director on one hand, and governor and lieutenant governor on the other hand, negotiate a performance agreement annually. And there are some boilerplate kinds of stuff on there. But then there are the measurable performance expectations. Those are the ones that

also form the core of what we would call the charter agency agreement, because we have a performance agreement with each charter agency. But we want those aligned so the key performance measures are the same generally as they are for charter agencies. And then we try to work down from there. We have a quarterly meeting with the governor and lieutenant governor and we do them in teams by general policy area. They sit down and we project the Results Iowa website up on the screen. People are sitting in a semicircle around it and discuss the new data. How are we doing? What's going well? What do we need to do to improve? So that's the way our system works. Those key performance measures are negotiated. We want their input. We don't want to just dictate to them. On the other hand, we don't want to just blindly accept what they give us. So there has to be some give and take there. And we're continuing to work on improving these measures. I don't think we're totally there yet and that's okay.

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