



Attachment L

## STATE OF IOWA

THOMAS J. VILSACK, GOVERNOR  
SALLY J. PEDERSON, LT. GOVERNOR

August 16, 2002

The Honorable Jeff Lamberti  
State Senator  
2621 NW17th Street  
Ankeny, IA 50021

The Honorable David Millage  
State Representative  
3910 Aspen Hills Drive  
Bettendorf, IA 52722

Dear Senator Lamberti and Representative Millage,

Thank you for the opportunity to provide information about the many reorganizations occurring across state government. The information in this report illustrates how Iowa state government responded to the national recession's impact on state revenue. While Iowa's FY 2002 cut in spending of 5.7% leads the nation, state workers seized the opportunity to streamline government, improve customer service and save taxpayer dollars.

As you know, in May of 2001, Gov. Vilsack and Lt. Governor Pederson announced plans to improve Iowa state government. It would be the first comprehensive review of the executive branch in 15 years, an in-depth look at the way state government does business and recommendations to make it better. They asked us to co-chair the effort. We enlisted help from a variety of sources both inside and outside state government. Department directors served on teams guided by "loaned executives," business leaders who've led successful reorganization efforts. State employees, unions and citizen groups all had the chance to participate.

While a sharp downturn in the economy lent urgency to the effort, so did the changing demands on state government. Instead of realigning itself over the years to meet those changes, state government had grown larger, costlier and more complex. The effort to improve government provided the chance to not only cut spending and make government more efficient, but to redirect state resources to the areas Iowans deem most important.

As a result, you will see in this report major reorganizations and strategies that capitalize on changes in technology. Programs and processes are being consolidated, streamlined and eliminated. New partnerships have been created, other funds have been leveraged, and rules and procedures have been strengthened. Here are some examples:

### DOT Restructuring

When the Department of Transportation announced a major overhaul, employees were understandably concerned. With 3,759 permanent funded positions, the DOT ranks as the state's second largest agency. Programs and jobs would likely be cut. The restructuring would be the agency's biggest undertaking since the department's inception in 1975.

"We knew the largest savings would come from vacancies," said Mary Christy, director of the Director's Staff Division. "But it wasn't just about saving money. It was also about safety issues, customer service and how to be more efficient in delivering our core services."

Christy said the restructuring involved an intensive review of each and every aspect of the department. She believes the boldest decision was to consolidate field operations, eliminating seven construction offices, five maintenance offices and 27 maintenance garages - an announcement that drew early criticism from Iowans concerned about the impact on services. However, department director Mark Wandro and others were confident that new technology, better equipment and the cross-training of employees would allow the agency to streamline services without sacrificing quality or convenience. In fact, Wandro and others believed such changes would actually make the DOT far more efficient and responsive to citizen needs.

Christy uses snow removal as an example. "When we look at all the new weather forecasting capability we have - we can now anticipate storms much earlier - and with the new technology in (snow removal) equipment, we can be so much more ahead of the curve," she said. And not just in forecasting, she added, but the ability to communicate vital information faster.

The closing of DOT facilities led to another cost benefit. State-owned equipment and buildings no longer needed were sold, resulting in a one-time windfall of \$4.5 million. Other efforts to improve the DOT include combining three divisions, reducing the workforce by 11 percent (or 403 positions) and revising the management structure so that the overall span of control went from one manager for every 9 employees to one for every 14. The DOT also modified the management structure of the six district offices to bring services closer to customers, ensuring faster and more efficient service.

"I think people will notice a difference," Christy said. "By capitalizing on advances in technology we've been able to enhance services while saving taxpayers' money."

Because of the proactive changes the DOT made during Fiscal Years 2001-2003, the DOT's annual operating budget request for FY 2003 is approximately \$35 million less than it would have been without the restructuring and reduction in staff.

#### DNR Redesign

Reorganization planning for the DNR began in summer 2001. The Director appointed a group of approximately 10 employees to serve on the committee to develop recommendations for reorganization. Guidelines provided by the Director were to focus and flatten the organization, eliminate duplication of efforts, and decentralize as many functions as feasible.

The group met for about three months and, with the input of management across the department, developed the first part of the reorganization plan that addressed the reorganization of the overall structure of the department. Several recommendations were presented to the Director last fall.

After discussion between the Director and the group, a final recommendation was selected. The Director presented the new plan to all department employees in December 2001 and immediately began to make organizational changes.

Many of the management changes were made after early out retirement in late January, early February 2002. All management and major organizational changes were complete by the end of May 2002.

Remaining management changes to be implemented include the hiring of three bureau chief positions in the Environmental Services Division and one bureau chief in the Conservation and Recreation Division. These hirings will be complete by October 2002. Some bureaus will undertake internal restructuring, mainly the Water Bureau and Energy and Waste Management Bureau, which will be completed by December 2002.

The draft plan for decentralization was presented to the Director in July 2002. Planning continues but decentralization efforts are already underway. Six FTEs will be placed in field offices this fall 2002, and further decentralization will continue, according to the plan, for the next five years.

#### DHS Restructuring

Department of Human Services Director Jessie Rasmussen knew a major overhaul was needed to meet the changing and increased demands placed on her agency. It had been more than a decade since the last restructuring. Money was tight and with the worsening economy about to get tighter yet. The agency was facing a \$7.5 million shortfall in field operations. The challenges loomed large. With more than 5,000 people serving 700,000 Iowans each year, DHS is the biggest department in state government.

How could Rasmussen and others cut expenses without sacrificing services? DHS spokesperson Roger Munns said Rasmussen insisted that every proposed change be evaluated on the yardstick of the department's core responsibilities - helping the neediest Iowans and protecting the most vulnerable Iowans. Maintaining frontline workers would be the best way to help and protect these Iowans, she decided, and the department took its case to Capitol Hill, where lawmakers and the governor made a special appropriation to save 125 of these jobs. Ultimately, it was decided to eliminate a significant number of middle-manager/supervisor positions and to end the long-held tradition of having full-time DHS offices in nearly every county. This meant eliminating all five regional offices and 38 multi-county supervisory-administrative offices and replacing them with eight new area offices. It also meant making the transition to less-than-full-time offices in 37 counties.

Munns notes that Worth, Grundy and Mitchell counties have had part-time offices for ten years. "We've learned how to provide good service in those areas even though the offices aren't open 40 hours a week," Munns said. "So taking that experience, we decided to go to less-than-full-time in the least populous counties."

To enhance customer service, the agency decided to let Iowans seek DHS services in a place other than their home county, to call for an appointment (rather than having to set up the appointment in person) and to pick up various applications at locations other than DHS offices.

"We've looked at a number of ways to be creative in delivering services," Munns said.

The above changes, plus the decision to eliminate 60 positions from the central office, won legislative approval during the November special session. Since July, DHS has trimmed its workforce by nearly 200 people with an overall savings of \$3.3 million. Additional changes call for farming out several other functions to other agencies. For instance, shifting regulatory and inspection responsibilities to the Department of Inspections and Appeals, and health-related functions (the pregnancy prevention team) to the Department of Public Health. Legislative approval was required for these changes.

"This will refocus our agency on its core mission," Munns said.

The restructuring has been understandably stressful for employees concerned about losing their jobs or being assigned to a different office, but Munns believes by moving quickly, keeping people informed and drawing on their commitment to the DHS mission, employees have been able to "overcome the burdens of transition."

"These decisions were not ones we would have chosen," he said. "They're budget-driven, but we will work within the new parameters to work smarter and harder as best we can."

#### Department of Administrative Services

A proposal to merge four departments and part of another into one administrative agency promised to save the state \$3.1 million the first year alone. The Department of Administrative Services would combine the departments of personnel, information technology, general services, the Iowa Communications Network, plus some accounting functions of the Department of Revenue and Finance.

The restructuring would save money by consolidating administrative services and reducing layers of management. It would also provide better customer service by allowing greater flexibility and efficiencies. Since the consolidation was proposed, cuts to the departments exceeded \$9 million, yet the consolidation was not approved by the General Assembly. Instead, departments were directed to create a plan for the consolidation to occur in 2003. As a result, the departments are struggling to share functions where possible, continue to meet statutory and customer expectations without adequate flexibility and resources, and plan for the consolidation. For this reason and to transform administrative functions from regulatory to customer focused through an enterprise management model, legislative approval of the consolidation would be helpful in 2003.

#### Other Ideas

The process of improving government resulted in scores of other activities to save money, streamline government and improve customer service. Some of these activities required legislative approval, others did not. What follows is a list of some of the ideas underway or under consideration.

- \* Cultural trust - to stimulate investment in local cultural institutions
- \* Child Advocacy Division - Combining the Court Appointed Special Advocate (CASA) and Foster Care Review Board within the Department of Inspections and Appeals.

- \* Electronic perimeters for prisons - to improve security while cutting costs.
- \* Boards and commissions - create a uniform standard for reimbursement for expenses and eliminate per diems for 68 boards and commissions.
- \* Citizen service centers - create regional offices for one-stop access for government services.
- \* Iowa Portal - to allow for more online services available 24/7. Funded by transaction fees.
- \* Consolidation of business and licensing services – to provide more convenient service while saving money through the merging of offices and consolidation of personnel and equipment.
- \* Consumer-driven budget for families of children with disabilities - to allow them to make choices about the services they receive.
- \* Cultural Trust to stimulate investment in local cultural attractions.

Finally, you will see in this report examples of the ingenuity and resourcefulness of dedicated state workers who continuously rise above adversity to attend to the needs of Iowans.

After reviewing the information in the report, let us know if you have questions or suggestions.

Sincerely,

Cynthia P. Eisenhauer, Director  
Iowa Department of Management

Dr. Steven Gleason, Director  
Iowa Department of Public Health

Cc: Dennis Prouty, LFB  
Legislative Fiscal Committee Members