

**State of Iowa
Charter Agencies Quarterly Report**

**FY 2003-04 Quarter 1
July 1-September 30, 2003**

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Section 1: Charter Agency Project Summary

Project Description

Iowa Charter Agencies were initiated as pilot projects aimed at finding specific, measurable ways to “reinvent” or improve the operation of Iowa state government. A charter agency is a state department or division that has been given greater administrative flexibility so that it can work to accomplish its public purpose in a more innovative, results-oriented way.

In the last legislative session, the Iowa Assembly passed, and the Governor signed into law, legislation establishing Charter Agencies. There are, at present, six Charter Agencies: Alcoholic Beverages Division, Dept. of Commerce, Dept. of Corrections, Dept. of Human Services, Dept. of Natural Resources, Dept. of Revenue, and the Iowa Veteran’s Home. These agencies have agreed to be held accountable to produce better, measurable results for Iowans through the services they provide, and they have either cut spending or will generate new revenue as part of their agreements. In exchange, the Charter Agencies exercise greater flexibility in such administrative matters as agency personnel and procurement decision-making. These agencies will identify new, more efficient and innovative ways to achieve results.

Several Charter Agencies have already realized benefits and flexibilities from the usual administrative procedures in order to deliver more efficient and effective customer and taxpayer satisfaction. An example used by two agencies is below:

105.4(5) Sole source procurement

a. Justification for sole source procurement. A sole source procurement shall be avoided unless clearly necessary and justifiable. The director or designee may exempt the purchase of a good or service of general use from competitive selection processes when the purchase qualifies as a sole source

“Being able to do sole source contracting has saved us both time and money.”

Quarterly Highlights

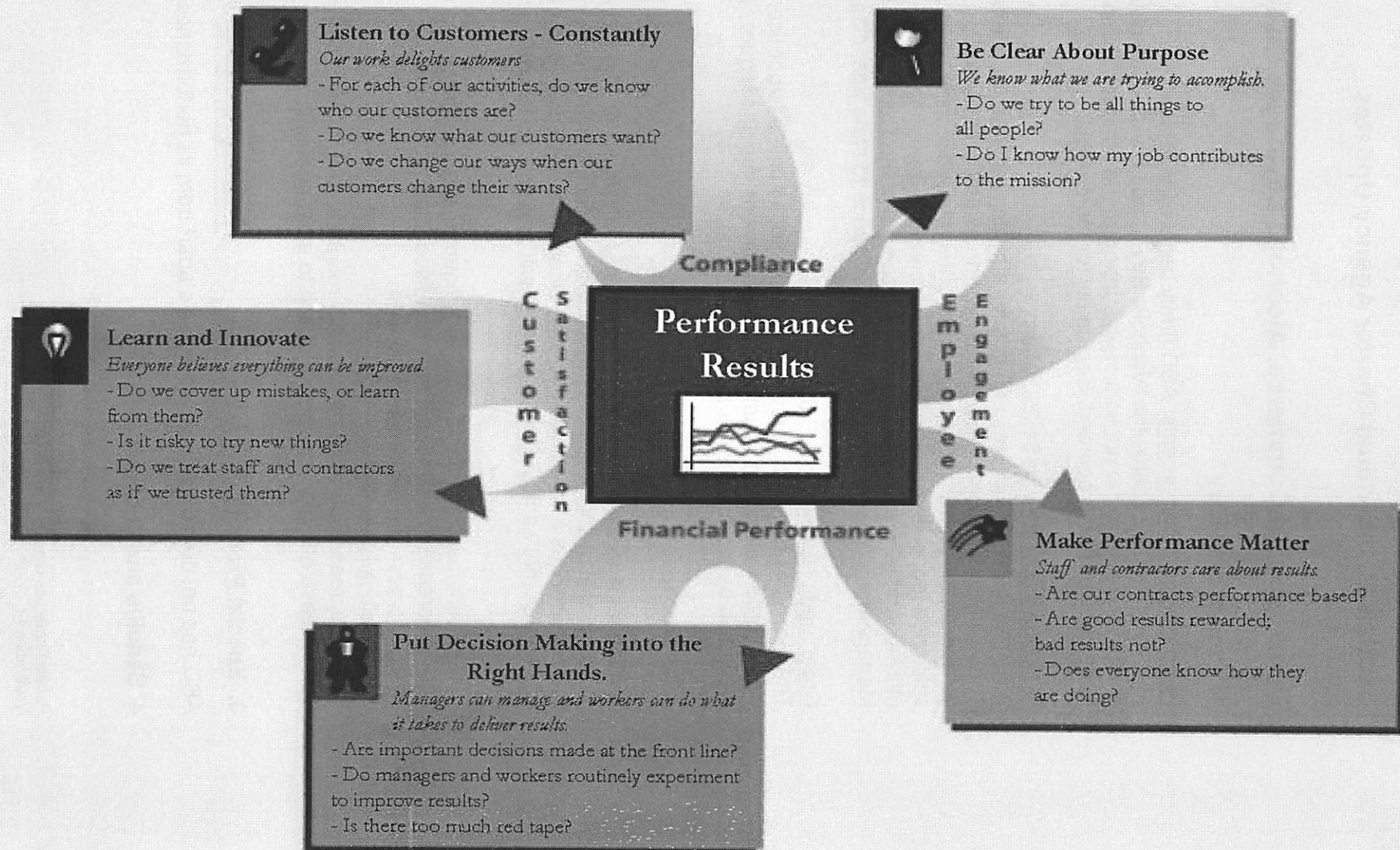
The most notable accomplishment of this first quarter of Charter Agency organization is that all six of the Charter Agency Agreements were signed by the Agency Directors and the Governor. All Charter Agency Directors and their Charter Agency Liaisons chose Reinvention Advisors from Public Strategies Group. These advisors work with the Charter Agencies on specific performance targets the agencies want to measure and for which they will demonstrate results. In several meetings with each agency, they chose to engage in various offerings that will enhance their ability to deliver results to the public. For

example, three agencies, the Dept. of Corrections, Alcoholic Beverages Division, and Dept. of Natural Resources chose to participate in a two-day Reinvention Workshop in which they engaged in dialogue about what reinvention means, what a charter agency is, what results they are responsible to deliver, and how they want to engage their agency personnel in these efforts. Teams developed an Action Plan around a performance target. The Dept. of Human Services chose to work with their advisor to look at ways to restructure some of their systems to make them more effective in delivering services to Iowans. The Dept. of Revenue is interested in engaging in a process that looks at a particular agency function, analyzes it, makes recommendations to make it more effective, and trains personnel in how to accomplish the restructuring. The Dept of Natural Resources is also interested in this process. The Iowa Veteran's Home is working to integrate performance measures into the services delivered at the Home. In addition, they are looking at collaborative efforts with DHS and Corrections in the areas of pharmacy services. Alcoholic Beverages and Vet's Home are also exploring the possibilities of using Corrections' Prison Industries in certain endeavors. Several agencies have exercised one or more benefits and flexibilities to obtain better results; those are discussed below.

All Charter Agencies are in their first quarter of operation. Therefore, the performance targets listed are those towards which they are working. Subsequent quarters will demonstrate what has been accomplished.

A description of Iowa's Reinvention Strategies is illustrated on the following page. It shows that Performance Results are at the center of Reinvention initiatives. Charter Agencies are at the center of Reinvention in Iowa. There are five strategies that support performance results: Listen to Customers, Be Clear About Purpose, Make Performance Matter, Put Decision-Making in the Right Hands, and Learn and Innovate.

Iowa's Reinvention Strategies



Section 2: Individual Charter Agency Updates

Department of Commerce, Alcoholic Beverages Division

1. Project Summary

Performance Commitments: ABD firmly believes that charter agency status will enable the Alcoholic Beverages Division to enhance the services offered to the public and, in support of the charter concept, needs to be captured and recorded. See below for more detail.

Revenue Commitment: \$1,250,000

ABD has identified several methods for attaining this level of additional revenue. These include implementing a variable wholesale liquor market program; increasing investment in supplier-discounted products; increasing the current split case fee; selling division assets; decreasing operating expenses through the utilization of technology; and, with the approval of the Department of Management, leasing office or warehouse space to state agencies.

Grant funds received: \$300,000

The funds will be used to develop systems for 1) online liquor licensing; 2) online liquor order entry; 3) inventory management for the liquor warehouse; 4) electronic beer and wine tax reporting.

2. Performance Targets

All Charter Agencies are in their first quarter of operation. Therefore, the performance targets listed are those towards which they are working. Subsequent quarters will demonstrate what has been accomplished. ABD will add a customer satisfaction measure; it will probably be to lower some liquor prices.

- Implement a variable wholesale liquor market program.
- Increase investment in supplier-discounted products.
- Increase the current split case fee.
- Sell division assets.
- Decrease operating expenses through the utilization of technology.
- Lease office or warehouse space to state agencies.

3. Special Projects

ABD has not delineated special projects apart from its performance targets.

4. Benefits and Flexibilities

ABD, like all charter agencies, was spared from across the board cuts ordered by the Governor. Charter Agency legislation exempts those agencies from across-the-board budget cuts in fiscal years 2004 and 2005.

Department of Corrections

1. Project Summary

Performance Commitments: DOC is convinced that being a Charter Agency will enable it to deliver better results for the citizens of Iowa. Among other performance commitments, DOC will work to reduce the probation technical revocation rate to prison, will train correctional officers to deal more effectively with mentally ill offenders, will increase community service through non-violent offenders work, and increase use of Prison Industries.

Savings Commitment: \$500,000

The Department has chosen to apply its \$500,000 reduction proportionally among appropriations to its facilities, central office, and community based corrections districts. It expects that each entity will use their flexibilities to achieve proportionate levels of savings.

Grant funds received:

DOC asked for no grant monies.

2. Performance Targets

All Charter Agencies are in their first quarter of operation. Therefore, the performance targets listed are those towards which they are working. Subsequent quarters will demonstrate what has been accomplished.

Corrections is assessing whether it wants to adjust or add targets to those listed in the original charter agreement. For example, 10% of all Corrections Officers will have training related to Mentally Ill Offenders by June 30, 2004. 100% of new Corrections employees will receive 16 hours of training related to Mentally Ill Offenders. Another effort may be to enhance/increase community service projects offered to communities situated near DOC facilities.

DOC's original performance targets include:

- Reduce the probation technical revocation rate to prison by 5%.
- Hold the rate of growth of offenders being released from prison by sentence expiration to no more than 5% per month.
- Increase by 5% the number of staff initiated recommendations for release to the Parole Board.
- By December 31, 2003, increase non-general funds supporting the department's operating budget by 2%.

3. Special Projects

Some new efforts in DOC include exploring an expansion of its Prison Industries to serve more state agencies. It is in conversation with a couple of other charter agencies to see if there can be mutually beneficial cost savings and revenue enhancement for all.

Other special projects in the original charter include:

- Develop ICON nursing and medical modules.
- Share ICON data with other criminal justice programs.
- Develop community based incarceration alternatives for inclusion in FY05 budget request.
- Develop a structured decision-making process and policy for consistent management of probation violations.

4. Benefits and Flexibilities

DOC was spared from across-the-board cuts ordered by the Governor in October due to budget shortfall. Charter Agency legislation exempts those agencies from across-the-board budget cuts in fiscal years 2004 and 2005.

DOC used the following flexibilities:

- Sole source for pharmacy drug interactions
- Potential to expand inmate labor market – i.e., increased use of offenders in various work opportunities
- Create environment to look at new ways of providing basic health services for offenders (pharmacy).

Department of Revenue

1. Project Summary

Performance Commitments: The Dept. of Revenue joined the Charter Agencies because it felt they could contribute to the reinvention of state government in Iowa and they could deliver better results for Iowans in such areas as substantially increasing electronically received individual income tax returns, electronic tax revenue collection, and faster tax refunds to citizens.

Revenue Commitment: \$1,000,000-year 1; \$1,500,000-years 2-5

The Department of Revenue has identified two methods for achieving its target of an additional \$1,500,000 in revenue. The Department will reduce the amount of interest paid out on refunds by more quickly issuing refunds. As a baseline, the Department will use FY 2002 and 2003 timelines for issuing refunds and then compare them to FY 2004 timelines. For example, if it took an average of eight months to issue refunds in 2003 and six months in 2004, the State will have saved an average of 1.2%. This will be multiplied by the amount of tax refunded to determine interest savings.

The second method for increasing revenue will be through assessments from audit programs. The Department will identify the new examiners it hired; assign them an audit program that the Department would not have been able to do without the additional hiring. Revenue collected from these new audit programs will be counted towards the \$1 million.

Grant funds received: \$500,000

Revenue's grant money was awarded for two years (FY04 and FY05). \$225,098 is reserved to fund 6 FTEs for the balance of FY04 and \$265,098 is reserved to fund the same 6 FTEs for FY05. A total of \$4,902 is reserved to fund office supplies and communications expenses for each of the two fiscal years. These funds are being utilized to increase tax revenue collections and to reduce interest paid out on refunds.

2. Performance targets

All Charter Agencies are in their first quarter of operation. Therefore, the performance targets listed are those towards which they are working. Subsequent quarters will demonstrate what has been accomplished.

- 60% of General Fund tax revenues will be received by electronic funds transfer by 6-30-04.
- 90% of all individual income tax refunds will be issued within 60 days of date of receipt of a taxpayers return.
- Maintain collection efforts so that 60% of net tax dollars billed are resolved within 365 days.
- Regarding productivity of audit staff, maintain a ROI of at least \$8 for every \$1 spent for enforcement.
- 95% of taxpayer service contacts will be responded to within 24 hours.
- Increase share of individual income tax returns filed electronically to 80% by 2007.
- Composite customer satisfaction scores for web-based applications will average scores of 4 or above.
- Reduce the amount of time required to complete quarterly and annual statistical reports to 60 days or less, following receipt of corrected tax files.
- By December 31, 2003, increase non-general funds supporting the department's operating budget by 2%.

3. Special Projects

- Develop plans for 5 new electronic services by 12-31-03. [NOTE: The FY04 budget request includes a new decision package requesting funding to develop new web based services in the areas

of increased electronic filing of individual income tax returns and establishing electronic filing for sales, use and other business taxes.

- Complete study of industrial review program by January 1, 2004.
- Develop business e-file model with goal of additional business taxes filed electronically.
- Expand utilization of data warehouse.
- Increase resources to provide more accurate revenue and refund estimates.
- Generate proposals to simplify income tax system and overhaul property tax system.
- Commits to generating \$1 million of additional revenue and interest savings the first year and \$1.5 million in the subsequent four years. Measurement of interest savings will be based upon accrual accounting principles.

4. Benefits and Flexibilities

Revenue was spared from across-the-board cuts ordered by the Governor in October. Charter Agency legislation exempts those agencies from across-the-board budget cuts in fiscal years 2004 and 2005.

Revenue used the flexibility that allows agencies to award increased pay based on increased credentials to award an advanced appointment to a new hire in the Revenue Auditor series to compensate for attainment of a CPA.

Department of Human Services

1. Project Summary

Performance Commitments

DHS is committed to improving its services and programs and the lives of Iowa's most vulnerable citizens that are served. Having maximum flexibilities within the complexity of state and federal requirements helps achieve results. DHS has committed to a number of major projects this fiscal year that are aimed at streamlining and simplifying process, creating flexibility for staff, and achieving maximum results for clients. These projects include but are not limited to: the child welfare & juvenile justice system redesign, the mental health and developmental disabilities redesign, Medicaid system improvements and cost reductions, including development and implementation of a Preferred Drug List (PDL), and a disease management program in Iowa Medicaid to reduce Medicaid costs.

Revenue Commitment: \$1,000,000

DHS will utilize various flexibilities to achieve the target savings.

Grant Funds Received: \$450,000

The Department of Human Services plans to use the \$450,000 grant funding as follows:

Revenue Maximization for Health Care Services to Low-Income Iowans:
\$320,000.

The analysis phase is underway and involves a contract to assess opportunities throughout the public sector, including but not limited solely to DHS, to increase federal support of health care services/programs to low-income Iowans.

Following completion of the assessment, decisions will be made regarding implementation that will require a major portion of this planned use of funding.

IT Evaluation: \$130,000

The department has started a project to assess the status, safety, security and capability of IT resources to develop recommendations to better align resources with current and projected needs.

2. Performance Targets

All Charter Agencies are in their first quarter of operation. The performance measures and targets shown below are the annual performance goals in this first year of Charter Agency status. Subsequent quarterly reports will show progress.

- Performance Measure #1: Number of Title IV-E eligible Iowa children
Performance Target #1: Increase eligibles by 15% by July 1, 2004.
- Performance Measure #2: Iowa Medicaid total prescription drug costs
Performance Target #2: Reduce total Iowa Medicaid prescription drug costs by \$20 million (state and federal funds) by January 1, 2005. Strategy is to implement a Preferred Drug List (PDL) in Iowa Medicaid.
- Performance Measure #3: Reduced costs and Improved health status of Iowans with manageable health problems involving the diagnoses of diabetes, hypertension, and cardiovascular disease.
Performance Target #3a: Reduce Iowa Medicaid costs related to the above diagnoses by \$500,000
Performance Target #3b: Preserve/improve the health status of Medicaid recipients diagnosed with the above conditions. Strategy is to implement a formalized disease management program in Iowa Medicaid
- Performance Measure #4: Medicaid federal fund access for Iowa schools
Performance Target #4: Increase Medicaid federal fund access for Iowa school by 10%. Strategy is to work in collaboration with the Department of Education.

3.Special Projects and Status Update

- **Child Welfare and Juvenile Justice Redesign:**
The final draft report was submitted to Director Concannon on October 17, 2003. A Design Review & Alignment Committee appointed by the Director will make final recommendations regarding the plan within the next 60 days.
- **Mental Health and Developmental Disabilities Redesign:** the plan is still in its plan development phase.
- **Increased enrollment of currently eligible lowans receiving food and nutrition benefits:** Iowa's Electronic Benefit Cards (EBT) has been implemented statewide. Three focused efforts in outreach in development include securing funding to be provided by federal FNS. These include a statewide media campaign for program awareness, redesign and simplification of the application, and creation of an electronic application.
- **Hawk-I enrollment expansion project:** 600,000 letters were sent out to all school age children/parents to create more awareness of the program and benefits; the program application is under review for simplification; electronic enrollment is in development.
- **Mental health services collaboration project with Department of Corrections:** Discussions have been initiated with DOC to develop more formalized joint collaborative efforts to better serve individuals with serious mental health issues that enter the Iowa Corrections system.

4. Benefits and Flexibilities

DHS was spared from across-the-board cuts ordered by the Governor in October. Charter Agency legislation exempts those agencies from across-the-board budget cuts in fiscal years 2004 and 2005.

Department of Natural Resources

1. Project Summary

Performance Commitments:

DNR is committed to producing better results for lowans through its participation as a Charter Agency. It will concentrate on such important issues as water quality and renewable energy and is working to develop a plan to provide state park visitors more convenience.

Savings Commitment: \$50,000

Because the DNR has a single general fund appropriation, it will be reduced by \$50,000.

Revenue Commitment: \$150,000

Grant Funds Received: \$100,000

The funds will be used to create a revolving loan fund to seed entrepreneurial programs that seek to become self-sustaining.

2. Performance Targets

All Charter Agencies are in their first quarter of operation. Therefore, the performance targets listed are those towards which they are working. Subsequent quarters will demonstrate what has been accomplished.

- Increase non-general funds supporting the department's operating budget by 2%. (December 31, 2003)
- Provide leadership and staff support to organize and hold a Water Quality Summit in Iowa. The summit will lead to a strategy to eliminate the Impaired Waters List for Iowa by 2010. (November 30, 2003)
- Develop a Nutrient Budget for each major watershed in Iowa and hold a series of public forums to discuss the data and begin public discussion with regard to the importance of nutrients in Iowa waters and the need for better management. (November 30, 2003)
- Promote renewable energy use through the Iowa Building Energy Management Program resulting in at least two (2) megawatts of new renewable energy production at Iowa taxpayer supported facilities. (June 30, 2008)
- Educate 2000 stakeholders on renewable energy through workshops, develop a wind energy curriculum for grade 9-12 students at Clarion-Goldfield that can be replicated in other districts, and create a wind energy checklist for small producers. (December 31, 2003)

3. Special Projects

- Develop and finalize Iowa's first Performance Partnership Agreement/ Performance Partnership Grant with US EPA. These agreements will maximize flexibilities for fund utilization as the Department delivers environmental protection and regulatory programs. (December 30, 2003)
- Develop customer service projects that will lead to stakeholder acceptance and more efficient delivery of DNR environmental programs. (October 2004)
- Continue efforts to establish an integrated environmentally regulated facilities database and tracking system (One Stop) that will provide better accountability both internally and with US EPA. Finish the five-year plan and complete a pilot project linking the Air and Solid Waste databases to a central environmental facility. (December 31, 2003)
- Develop and implement a coordinated program with Department of Corrections (DOC) and meat processors to deliver surplus harvested deer meat to DOC for use as in the inmate meal program. (December 1, 2003)
- Implement "Help Us Stop Hunger" (HUSH), a cooperative program with the Food Bank of Iowa, cooperating meat processors and deer hunters. 1,000 deer from the 2003-04 hunting season will be donated by hunters, processed by local lockers and distributed to the needy of Iowa. HUSH will encourage more

hunters to shoot more does because they will not have to pay for processing costs. Funds to process the meat will be raised from the private sector and supplemented, if necessary by the Wildlife Bureau. (December 1, 2003)

- Establish an agreement with DOC to provide inmate labor to assist with State Park maintenance needs. (April 2004)
- Complete the Process Improvement Planning Activity in conjunction with ABI resulting in a more efficient Air Construction Permit Process. (September 2003)

4. Benefits and Flexibilities

DNR was spared from across-the-board cuts ordered by the Governor in October. Charter Agency legislation exempts those agencies from across-the-board budget cuts in fiscal years 2004 and 2005.

DNR has exercised the flexibility of using a sole source contract.

They have also used alternate travel providers and have saved money on those transactions.

Iowa Veteran's Home

1. Project Summary

Performance Commitments:

The Iowa Veteran's Home believes that it can deliver superior results for its residents and for citizens of Iowa by participating as a Charter Agency. It is engaged in several innovative programs and will utilize charter benefits and flexibilities to attain excellent results.

Revenue Commitments: \$1,300,000

The Iowa Veterans Home has a single general fund appropriation. It will be reduced by \$1.3 million. Because the Veterans Home is on net budgeting, additional revenue they generate may be utilized by the Veterans Home for program and staff costs.

Grant Funds Received: \$100,000

IVH received funds for the purchase of IT hardware (\$20,000), IT software (\$31,050), training (\$5,000), and 55% of 2 FTEs (\$43,950). These funds are being utilized to develop and implement a computerized record system to more efficiently monitor resident health status.

2. Performance Targets

All Charter Agencies are in their first quarter of operation. Therefore, the performance targets listed are those towards which they are working. Subsequent quarters will demonstrate what has been accomplished.

- Enhance resident and permanent employee participation in at least 80% of IVH operational planning functions (Process Action Teams, Planning Retreats, Committees and other work groups) as determined by the Quality Council. [NOTE: Currently employee and resident participation in IVH operational planning functions has exceeded our target and is 86.6%.]
- Realize a 5% increase in applications to IVH as a result of increased marketing initiatives.
- IVH will increase the average daily census by 1% (7.5 beds) as a result of increased marketing initiatives.
- 20% of the permanent employee work force will receive Process Action Team Training necessary to participate in operational planning functions.
- 20% of new employees will participate in a formal mentoring program.
- IVH will initiate two research projects relating to health care in Pharmacy Services and Nursing Services.

3. Special Projects

- By November 1, 2003, IVH will develop a statewide marketing plan to maximize opportunities for increasing applications, by enhanced partnering with veteran service organizations, County Commissioners of Veterans Affairs and the Iowa Commission of Veterans Affairs. [NOTE: A Process Action Team was convened and an action plan has been developed. We will be contacting the Governor's office soon to schedule a recognition ceremony that the Governor and Lt. Governor will attend.]
- By November 1, 2003, IVH will complete a feasibility study for implementation of a medical clinic based on a community outpatient clinic model.
- By November 1, 2003, IVH will implement an organization redesign that aligns with Iowa Excellence principles (customer focus, results orientation, long range thinking, employee participation, collaborative leadership, data based decisions, and continuous improvement) and enables us to meet our strategic objectives.
- By January 1, 2004, IVH will complete Phase One (Planning) of a three-phase plan to implement an electronic documentation system.

4. Benefits and Flexibilities

IVH was spared from across-the-board cuts ordered by the Governor in October. Charter Agency legislation exempts those agencies from across-the-board budget cuts in fiscal years 2004 and 2005.

IVH exercised the following Additional Terms and Conditions:

- Employee Recognition - Two employees were awarded a monetary bonus of \$100 each for outstanding effort at producing an Iowa Veterans Home informational video. This video not only showcases the Veterans Home but the community of Marshalltown as well.

- Collaborative Partnering - IVH is working with the local hospital on the development of a day care program for employees. We are also working with the Department of Veterans Affairs on the implementation of a Computerized Patient Record System.