

CHARTER AGENCY AGREEMENT
BETWEEN
THE GOVERNOR OF THE STATE OF IOWA
AND THE
IOWA DEPARTMENT OF REVENUE

The Department of Revenue requests that the Governor designate the Agency as a Charter Agency, pursuant to Section 7J.1 of the Code of Iowa.

The Department commits to producing the following results in terms of performance measures and special projects:

DEPARTMENTAL PERFORMANCE TARGETS

- By December 31, 2003, increase non-general funds supporting the department's operating budget by 2%.
- Increase share of individual income tax returns filed electronically to 80% by 2007.
- 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.
- Process 99% of all transactions through centralized accounting system within one day of receipt from departments.
- 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.

- 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.
- Increase the number of electronic funds transfers for the disbursement of state payments by 5%.

DEPARTMENTAL 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.
- Development and utilization of an agency performance plan.
- 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.
- Collaborate with other agencies on successful 1) implementation of ERP system, 2) monitoring of tax incentive and other economic development initiatives, 3) development of improved economic and revenue forecasting processes, and 4) implementation of the DAS agency.
- Generate proposals to simplify income tax system and overhaul property tax system.
- The Department, contingent upon receiving the benefits and flexibilities identified below, 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.
- The Director of Revenue further commits to achieving the results as

outlined in the Director's Performance Plan, excluding those results now affiliated with the Department of Administrative Services, which is hereby incorporated by reference.

Charter Agency Benefits and Flexibilities

The Governor and Lt. Governor pledge their support to the Charter Agencies success, and recognize the Department of Revenue and Director Michael Ralston are stepping above and beyond expectations in their willingness to become a Charter Agency. The Agency will have the following benefits and flexibilities. These benefits and flexibilities do not supersede the requirements of the Accountable Government Act.

The Department of Management (DOM) will assure that Charter Agencies:

1. May apply to receive grant funds from the \$3 million General Fund appropriation for Charter Agency innovation projects.
2. Retain 50 percent of unspent year-end General Fund appropriation (from agency operations) balance for five (5) years, beginning with fiscal year 2004.
3. Are exempt from across-the-board General Fund appropriation cuts for fiscal years 2004 and 2005.
4. Retain 80 percent of all new revenues generated, subject to statutory compliance.
5. Benefit from DOM support of fiscal year 2005 full salary adjustment funding.
6. May opt out of the Iowa Excellence Program.
7. May work with the Department of Administrative Services (DAS) and Public Strategies Group (PSG) to develop and implement pilot projects.
8. May receive support at no cost from PSG to achieve desired charter outcomes, as needs arise and resources permit.
9. Benefit from DOM support of legislative changes to further enhance Charter Agency ability to simplify administrative processes and generate revenue.
10. May actively market program-related goods and services to lowans and seek alternate and innovative revenue sources.
11. May charge other governmental agencies for services, following DOM consultation with DAS that indicates the DAS lacks the capacity to provide the service.

12. Retain all existing information technology staff, hardware and software through fiscal year 2004.
13. May propose increases in fees that are commensurate with and directly related to improving services to citizens.
14. May reduce copying and paperwork expenses via use of electronic signatures, record keeping, and transactions.
15. Are exempted from appropriated full-time equivalent (FTE) limitations for a period of five (5) years, beginning with fiscal year 2004.
16. May evaluate existing "outsourced" state work activities for cost-effectiveness and service delivery quality.

[DAS Human Resources Enterprise-related]

17. May convert PEO (Merit Resources) positions to state FTEs, consistent with collective bargaining agreements and Human Resource Enterprise (HRE) rules.
18. May change the status of "direct report" managerial positions to "at will" positions. Affected employees must agree to the change voluntarily in writing for the change to occur.
19. May increase overlap employment days.
20. May add interns to their workforces.
21. May award "exceptional job performance (performance bonus)" pay to non-contract covered employees or to contract covered employees with the approval of the labor union. This applies to individual employees as well as to employee "teams."
22. May award "special-duty" pay or "extraordinary duty" pay. Special duty pay applies when an employee is temporarily assigned to a vacant position in a higher class. Extraordinary duty pay applies when an employee is temporarily assigned work duties in a higher class.
23. May create any position in any classification provided that duties are consistent with established classification and filled in compliance with collective bargaining agreements and HRE rules.

24. May award increased pay for increased credentials to non-contract employees or to contract covered employees with the approval of the labor union.

25. May utilize the employee performance evaluation system and process in force as of fiscal year 2003 until July 1, 2004. This issue will be revisited prior to July 1, 2004.

[DAS General Services Enterprise/Information Technology Enterprise--related]

26. May purchase goods and services outside General Services Enterprise (GSE) contracts provided the charter agency can document the cost benefit. Charter agencies purchasing Information Technology Enterprise (ITE) services independently must document that the purchase complies with ITE enterprise technical standards. Charter agencies will periodically report on the nature and value of these goods and services to DAS. Charter agencies will pay the Iowa Code-required one (1) percent purchase fee.

27. May sell or lease capital assets and retain proceeds and may utilize the GSE as an agent in the sale of capital assets.

28. May make their travel arrangements directly with vendors, with appropriate audit-worthy documentation.

29. May pay a fiscal year 2005 vehicle administrative fee (overhead) that is at least 30 percent lower than the current fee.

30. May, with appropriate audit-worthy documentation, use sole source contracts.

31. May, through addendum, extend contracts beyond the current allowable renewal term.

32. Implement and enforce contract "liquidated damages" clauses.

33. Utilize streamlined contracting requirements for capital projects.

34. May work closely with GSE to implement design and construction work on capital projects.

[DAS State Accounting Enterprise-related]

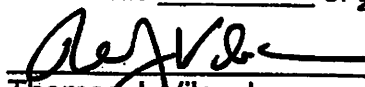
35. Are required to initial the "batch sheet" (only) as part of the pre-audit process.

36. Utilize a simplified procurement card "coding" system that does not require coding of purchases at the detailed expenditure (objective) level when the bill is paid.
37. Are no longer required to file travel claims when expenses are paid by an outside entity.
38. Are exempted from the requirement to submit pre-contract questionnaires for contracts valued at less than \$1,000.
39. Are exempted from the requirement to submit pre-contract questionnaires for corporate or governmental vendors, provided that information on the questionnaire is still obtained to meet audit requirements.

Additional Terms and Conditions

1. The Department of Revenue will receive \$270,000 from the Grant Fund to support Charter Agency activities in FY04.
2. Funding in the amount of \$270,000 for FY05 Charter Agency activities will be requested as a decision package through the appropriation process. If no funds are appropriated for this purpose, grant funds will continue to be provided for FY05. The Department of Revenue has the ability to revise and increase the amount of dollars that are requested from the Grant Fund in the subsequent year to insure the commitment to generate revenue.
3. The Department of Revenue will be given the opportunity to compete for money allocated to the fund to be utilized for additional reinvention projects.
4. The Department of Management recognizes its responsibility to ensure that the \$15 million Charter Agency goal is achieved through a combination of cost reduction and revenue maximization efforts on an annual basis for a period of five (5) years. The identified financial commitment in the four years subsequent to FY04 are contingent upon maintaining at least the FY04 baseline budget amount plus annual adjustments. If these funding amounts are not maintained, this agreement may be renegotiated and the amounts and expectations may be changed.
5. This Charter Agency Agreement may be amended by mutual agreement of the parties at any time.

Dated this 12TH SEPTEMBER, PFC of July, 2003.


 Thomas J. Vilsack
 Governor


 Michael D. Ralston
 Director, Department of Revenue