

# Public Management Report

An occasional (and maybe insightful) examination of the issues, dilemmas, challenges, and opportunities in leadership, governance, management, and performance in public agencies.

On Iowa's innovative:

## Charter Agencies

When people complain that a public agency's performance is inadequate, its managers invariably reply: "If we didn't have all of those damn bureaucratic rules, we could actually accomplish something." In response to this ubiquitous problem of government, Iowa has created "charter agencies," given them freedom from many traditional constraints, and, established expectations for improved performance.

Thus, the theory behind Iowa's "charter agencies" is similar to the one behind "charter schools": If the agency has more flexibility, it can produce more and better results.

In the spring of 2003, the Iowa legislature authorized the governor to designate "charter agencies" that may:

- ❖ "waive any personnel rule" (subject to Iowa's collective bargaining agreement);
- ❖ hire staff at any pay grade without any employment cap (or FTE limit);
- ❖ "waive any administrative rule regarding procurement, fleet management, printing and copying, or maintenance of building and grounds" as well as information technology;
- ❖ carry over half of budgeted but unspent funds from one fiscal year into the next;

- ❖ keep the "proceeds from the sale or lease of capital assets."

To select the charter agencies, Governor Thomas Vilsack asked for volunteers. Rather than require a department to be a charter agency, he selected only those agencies whose director was willing to take the risk. After all, who knew whether the promised flexibility would be real?



In July 2003, Vilsack entered into a "charter agency agreement" with the directors of six agencies. Each agreement specifies "Departmental Performance

Targets." For example, for FY 2005, the targets for the Department of Human Services included:

- ❖ Reduce Medicaid costs by \$1 million by the end of FY06 by implementing disease management to improve health status.
- ❖ Increase the number of currently eligible Iowans receiving food and nutrition benefits by 8% in FY05.
- ❖ Increase Medicaid federal fund access for Iowa's public schools by 5% in FY05.
- ❖ Increase the percentage of children who do not re-enter foster care within 12 months to 80% by the end of FY05 and 83% by the end of FY06.

When talking with executives in Iowa's charter agencies about their initiatives, I asked: "Why couldn't you have done that before?" "Why did you need charter-agency status?" Sometimes I got a specific explanation. Other times, the answer was simply: "We could have. We just didn't think that way."

Director of Human Services Kevin Concannon, who has held analogous posts in Maine and Oregon, thinks Iowa has many more rules than either of those states. Iowa is very careful, he notes; it likes to use "suspenders as well as belts." Thus, he argues, "charter-agency status is particularly potent here." The charter-agency idea, reports Concannon, "has created a climate: We should try different things." Still, he observes, "some of the charter authorities you could find [elsewhere] if you looked."

*Iowa's innovative "charter agencies" have the flexibility to ignore many of government's traditional constraints. Often, however, it isn't charter-agency authority but charter-agency thinking that has had the biggest impact.*

Gary Maynard, director of the Department of Corrections, held similar jobs in Oklahoma and South Carolina. And he has the same reaction. In those two states, Maynard observes, he wouldn't have challenged the system. Being a charter agency, notes one of Maynard's top aides, confers "permission to question." Mike Ralston, director of the Department of Revenue, says that being a charter agency has "made us focus on innovation."

Thus, charter-agency managers tell a two-part story. They are very appreciative of the formal benefits that they have gained—particularly the official freedom to use their funds to hire as many people at whatever levels they think best. But they also emphasize that the bigger if more subtle benefit has come from their willingness to seize their new freedom to think differently.

The Department of Natural Resources considers the elimination of its hiring limit to be very important. Like other state agencies, DNR was constrained by double budgeting: It had an expenditure (dollar) budget and a

personnel (FTE) budget. Thus, even if DNR had money in its expenditure budget, it could not hire more people than was allowed by its personnel budget. To get around its FTE cap, DNR would hire temporary employees; but it could keep them for only 18 months and could not rehire them. "It was extremely difficult to work under that" constraint, reports Liz Christiansen, DNR's deputy director; it was "demoralizing our folks." But with its charter-agency authority, DNR is only restrained by its dollar budget; it has no personnel limits.

Still, it often wasn't charter-agency authority but charter-agency thinking that had the biggest impact. Between 2000 and 2003, the number of fishing licenses sold in Iowa dropped from 350,000 to 319,000, cutting revenues by \$1.8 million. So DNR started an advertising campaign. The department could have done this without its charter-agency authority, observed Christiansen, but the agency simply wasn't thinking that way.

Last month, Iowa won one of the Kennedy School's awards for "Innovation in American Government." Indeed, its charter agencies are a creative effort to trade off fewer rules for more and better results. As other governments seek to improve performance, they too might want to experiment with this innovation. **B**

**Robert D. Behn** teaches performance leadership at Harvard University's John F. Kennedy School of Government and is the author of *Rethinking Democratic Accountability* (Brookings, 2001) in which he analyzed the value of "Creating Charter Agencies."

As a member of the team of Kennedy School faculty who lead executive-education programs for the public sector, Bob chairs "Driving Government Performance: Leadership Strategies that Produce Results." He also conducts custom-designed executive programs for public agencies, most recently in Lisbon.