

# Structural Reform: Charter Agencies

Nevada's state government, like most other states, has over time turned into a collection of rigid bureaucracies conditioned to emphasize strict adherence to legislatively prescribed processes, rather than focused on achieving quantifiable results.

This generalized mentality is obstructive to innovation and can prevent organizations from adapting to meet the changing needs of citizens. In private enterprise, for instance, entrepreneurs succeed when they correctly anticipate the evolving needs of society and introduce creative solutions to those needs.

A constructive and creative culture can similarly be introduced within public administration by introducing the correct incentives. Lawmakers should recognize that employees of state agencies often have the greatest knowledge and insight into how those agencies can most effectively deliver public services. The top-down approach to governance that lawmakers have historically imposed fails to take advantage of the state's most valuable asset – the specialized knowledge of its employees.

The task of lawmakers should be restricted to setting broad policy goals, while specific decisions over the means for achieving those goals should be left to the agencies themselves.

## Key Points

**Extend school principals' "empowerment" model to agency directors.** In Iowa, lawmakers looking to increase the cost-effectiveness of government successfully experimented, highlighting broad policy objectives while letting agency directors determine the best means of achieving those objectives.

To ensure accountability, annual contracts were signed with agency directors, specifying the performance metrics they would be responsible for achieving – at the risk of dismissal.

Directors further agreed to reduced general fund allocations, but in exchange, gained the freedom to hire and fire employees, upgrade their agencies' technology infrastructure, purchase equipment and outsource certain agency functions as they saw fit – without going through the state's central purchasing or personnel departments.

As incentive, agencies that both met their goals and remained below budget, retained half the savings with the remainder reverting to the state's general fund. Agency directors could use these savings to reward employees with bonuses or to purchase efficiency-enhancing capital equipment.

The idea was experimental and enjoyed only temporary authorization under the leadership of Gov. Vilsack, but the results were phenomenal. Even as Iowans saved millions of dollars, they saw remarkable improvements in the quality of public services. Iowa's "charter agency" approach was recognized with an "Innovations in American Government Award" from Harvard University's Kennedy School of Government.<sup>1</sup>

## Recommendations

**Clarify the goals and metrics.** Lawmakers should clearly outline the policy objectives they most highly value and to identify appropriate metrics for evaluating progress toward those goals. They should use the budgeting

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<sup>1</sup>Harvard University, John F. Kennedy School of Government, "Innovation in State Government: Iowa Charter Agencies," 2005.

process to review proposals for delivering these specified results, which might include an improvement in average life expectancy or student test scores. Once these broad policy priorities are elucidated, agency directors can craft innovative strategies for achieving those objectives and present evidence of tangible progress toward those goals during budget hearings.

**Nevada should create a “charter agency” framework and allow agency directors to opt in.** Proposed legislation to establish a charter-agency framework for Nevada was drafted during the 2013 session and was re-introduced during the 2015 session as Assembly Bill 104. Additional guidance may be provided by the 2003 enabling legislation from Iowa, SF 453 and HF 837. Agency directors who opt in should sign performance contracts that outline their responsibilities for meeting legislatively-defined goals. These contracts should reward each agency’s increase in excellence with increasing agency discretion.

## Charter Agency Success in Iowa

### Department of Natural Resources

- Reduced turnaround time for air-quality construction permits from 62 days to six days and eliminated a backlog of 600 applications in six months.
- Reduced turnaround time for wastewater construction permits from 28 months to 4.5 months.
- Reduced turnaround time for landfill permits from 187 days to 30 days.
- Reduced time for processing corrective-action decisions on leaking underground storage tanks from 1,124 days to 90 days.
- Accomplished all reductions without compromising environmental standards or quality.

### Department of Corrections

- Reduced the probation failure rate by 17%.
- Increased the number of female inmates receiving meaningful work experience by 50% while reducing operating costs by \$700,000 per year.
- Increased the number of parole recommendations by 5% in one year.

### Department of Revenue

- Raised the rate of income tax returns filed electronically from 55% to 67%.
- Increased the number of personal income tax filings completed within 45 days from 75% to 94%.

### Department of Human Services

- Reduced the average child-welfare stay in shelter care by 10 days.
- Increased the number of eligible citizens receiving food and nutrition benefits by 44%.
- Increased the number of children with health care coverage by 12% in FY05 alone.

### Iowa Veterans Home

- Reduced the number of residents experiencing moderate to severe pain by 50%.
- Reduced admission waiting times by increasing the rate of admissions processed within 30 days from 69% in FY04 to 90% in FY05.

### Alcoholic Beverages Division

- Increased General Fund revenue by \$9.7 million in FY04 and \$11.6 million in FY05.