

Draft

**Overview of Alternatives
for Future Administration of the
Montana Natural Heritage Program**

**this version prepared for the
NRIS Advisory Committee**

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by Sue Crispin, Director

***Note:** this version does not include introductory sections with significant background information, which were distributed prior to the last meeting and have not changed substantially since that time. That material is readily available upon request for anyone who did not attend the previous meeting. Please contact Jim Hill or Sue Crispin.*

Guiding Principles for the Assessment

To guide the evaluation of options, the managing partners for the Montana Natural Heritage Program (MTNHP) agreed to develop Guiding Principles that would outline the desired outcomes of any transfer in MTNHP administration. A set of draft Principles was developed and then revised based on stakeholder input described above. This resulted in the following five Guiding Principles, which represent the desired objectives for a final decision regarding future administration of the MTNHP.

1. Maintain the Natural Heritage Program identity, mission & key functions.

The statutory function and longstanding role of the Natural Heritage Program (NHP) – as the State’s primary source for information on animals, plants and natural communities, emphasizing those of conservation concern – should be maintained, regardless of institutional affiliation. This includes its focus on information collection, integration, management and dissemination, its compatibility with the Natural Heritage Network (specified in the enabling legislation) and its well-established identity, including all major functional components (zoology, botany, ecology, information management).

2. Maintain or strengthen the Program’s financial and political security.

Any change in management arrangements for the NHP should, ideally, result in greater financial and political security, and should, at a minimum, not weaken the program by reducing its funding, capacity, effectiveness or by exposing it to greater political risk. Financial security is linked to the diversity of funding sources (including state agency core funding) and overall funding level, both of which have been trending upward. This funding diversity not only helps reduce the impact of cuts from any single funding source, but also produces high financial leverage for the contributing partners and benefits all partners with better data and services.

Political security is strongly linked to the program being insulated from the sometimes very negative politics associated with sensitive species – this has been achieved to date by the program’s location within a politically neutral agency (the State Library, which has a focus on information and no regulatory mandates or controversial activities) and by ensuring a strict “arm’s-length” relationship from The Nature Conservancy’s conservation activities. Also key to this perceived neutrality has been the program’s relative autonomy from political influences and politically influenced agencies and organizations.

3. Maintain the program’s effectiveness.

The current effectiveness of the NHP derives from its focus on service to a broad range of users, its commitment to diverse partners, the credibility of data, the practical utility of its products, the quality and expertise of its staff, and the trust of information users in the objectivity of its services. This effectiveness translates to efficiency and cost-savings in the public and private sectors, as well as a broad positive impact on the conservation and sustainable management of Montana’s biological resources. Ensuring maintenance of this effectiveness will require retaining the staff talent that has been carefully built over the past several years, the range and quality of services to Montana agencies (state and federal), organizations, businesses and citizens. This includes information products and services as well as expertise and the capacity to provide field services such as inventory and research.

4. Ensure strong institutional support from the managing agency or organization.

The mission and services of the Natural Heritage Program should be important to the mission of the housing institution and its functions viewed as integral to that institution’s mission and its success. The housing institution must be strongly committed to maintaining effective funding levels for the program, even in times of fiscal constraint, and for advocating effectively on behalf

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of the program. This will require a personal commitment from executive managers as well as a clear perception of the program's value to the managing institution. (Note: There is currently no state agency or institution with a legislative mandate that encompasses for what NHP does, other than the State Library, which has the statutory authority for the program. MFWP has a wildlife management mandate that could incorporate NHP responsibilities for vertebrate animals and potentially habitat (though not currently for plants or invertebrates), however MFWP had not been actively engaged with non-game wildlife or habitats until very recently.)

5. Build on the past success and current strengths of the Natural Heritage Program.

The Montana Natural Heritage Program has an excellent reputation and track record of success. Among the key strengths that underlie this success are staff expertise and experience, scientific credibility, political neutrality, service orientation, diversity of partnerships/users, and responsiveness to partner/user needs. These qualities have led to a high level of trust in the reliability and objectivity of information and services provide by the NHP. Also important has been the program's affiliation with the State Library's Natural Resource Information System, with its emphasis on broad access to information services, and the outstanding IT infrastructure that benefits the NHP and is in turn strengthened by the substantial contributions of the NHP.

Alternatives Evaluated

At the outset of this process, the managing partners identified several options to be evaluated for future administration of the MTNHP. The five alternatives identified were:

- 1. *Maintain the Status Quo*** - MSL would continue to operate the program through the contract with TNC.
- 2. *Fully Integrate NHP into Montana State Library*** - The Montana State Library would create state positions for MTNHP staff and would continue to manage the program.
- 3. *Transfer the NHP into another State Agency*** - MTNHP staff positions would be created by another state agency, which would manage the program either under contract to MSL (at least until the 2007 Legislative session), or directly if/when the enabling legislation was amended to reassign the program to that agency. Montana Fish, Wildlife & Parks (MFWP) has been the principle agency interested in and considered under this option, although DNRC is very supportive of the program and open to the possibility of assuming administrative responsibilities, if other partners wish to explore that option.)
- 4. *Transfer to a University (under contract to the State Library)*** - Create staff positions as part of a state university or the university system, which would manage the program, either under contract to MSL, or directly if/when the enabling legislation was amended to reassign the statutory authority for the program.
- 5. *Management by another non-profit organization*** - Create staff positions in another non-profit organization that would serve as the contractor to operate the MTNHP for the state.

Stakeholder Input

The Natural Heritage Program is a partnership in the strongest sense of the word; in addition to being a program of the Montana State Library operated by The Nature Conservancy, a major portion of funding for the core contract comes from other state agencies. In addition, federal agencies have made – and continue to make – major contributions to support core data management and services, as well as important data development projects. Both as funders and as major users of the MTNHP's data and services, all of these agencies are critical participants in the decision about the program's future administration. Other important stakeholders include the broader user base, including additional agencies, private businesses, and conservation

organizations. All of the stakeholder groups identified for the purposes of this process are listed below.

- **State agencies** that rely on MTNHP services and provide core funding. Format: Consultation with the NRIS Advisory Committee, which is comprised of state agencies that fund NRIS/MTNHP: MT Dept. of Transportation, Dept. of Environmental Quality, MFWP, and Dept. of Natural Resources & Conservation, as well as staff of the Legislature's Environmental Quality Council, State Historical Society, and a representative from the private business sector.
- **Federal agencies** that rely on (and contribute essential information to) NHP databases and provide major financial support: BLM, USFS, USFWS, EPA, Bureau of Reclamation, Natural Resource Conservation Service, National Parks, and Bonneville Power Association.
- **Private-sector partners and information-users.** This includes consulting firms as well as corporations that partner with and rely on information from the MTNHP, and may cooperate in or provide funding for projects.
- **Montana State Library.** As the agency with statutory authority for the MTNHP, the State Library has a primary role in this assessment. Key participants are agency managers, and the MSL Commission, which has ultimate decision-making authority for the State Library.
- **The Nature Conservancy.** Because the Conservancy established and has operated the MTNHP under contract to the State Library for 20 years, employs the staff, owns the equipment, and holds the intellectual capital comprised by these resources. A committee of the state chapter Board of Trustees was formed to review information, options and provide recommendations to the State Director.
- **Other non-government organizations** that contribute project support and rely on information of the MTNHP. These include NatureServe (the international affiliate for natural heritage programs), local and state land trusts, as well as national organizations with local chapters (e.g., Montana Audubon).
- **Natural Heritage Program staff.** Staff of the MTNHP will be most directly affected by any change, both professionally and personally. While the impact on individuals is important in and of itself, it is also key to the program's effectiveness, which depends on the knowledge, skills, abilities and dedication of a highly talented, dedicated and expert staff.
- **NatureServe.** The international affiliate organization of natural heritage programs and conservation data centers relies on standardized data provided by those programs to create national and international datasets for planning and decision-making at larger scales. NatureServe also provides individual programs with rangewide information on species and communities, as well as customized software and coordination of data standards.

Partners and stakeholders were asked to participate in this process through several meetings and through a web survey. The survey, which also sought input on the quality of services, program priorities, and user needs/suggestions, was emailed to 260 individuals representing all stakeholder groups and was also posted on the NRIS and MTNHP web home pages for over a month. The response rate was extremely high, with 125 (nearly 50%) of the persons emailed responding, and another 46 responses from emails that were forwarded to others within an agency/organization, and from individuals responding to the notice on the web. This very high response rate indicates the level of support for MTNHP (specific feedback and general comments on the program were extremely positive) and the degree of concern for the program's future and continuity of its services. A summary of survey results is available on the MTNHP website.

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The other major source of partner & stakeholder input was the NRIS Advisory Committee, which includes all state agencies identified in the enabling legislation and/or contributing to the support of the MTNHP, Higher Education, and representatives of the private business sector (environmental consultants). This group was expanded for the purposes of this study to include federal agencies that rely on and financially support the MTNHP (BLM, USFWS, USFS) and the private non-profit sector (The Nature Conservancy & Montana Audubon). A summary of input from the April 2005 meeting of the NRIS Advisory Committee is available on request.

Information was also shared with and input solicited from MTNHP staff through meetings and an internal survey.

Comparison of Alternatives

Input received from stakeholders through the NRIS Advisory Committee (NAC) meeting and the web survey had one clear message that was broadly repeated -- perhaps best paraphrased as “not tinkering with success.” Both the NAC and survey respondents placed a high value on MTNHP services and expressed a high level of satisfaction with the program’s performance and direction. They questioned why a change was needed and indicated their desire for minimizing impacts on MTNHP services and resources (especially funding and personnel).

In general, stakeholders expressed some concern for long-term continuity and continued development of the Natural Heritage Program under any of the alternatives presented in the survey and meetings. Table 1 summarizes stakeholder input on proposed alternatives relative to the Guiding Principles. Concerns related to specific alternatives are summarized below.

Status Quo – Continued management by TNC

This option received the strongest support from stakeholders, though some echoed the concerns about affiliation with an organization advocating conservation, from the standpoint of political risk as well as perceptions of objectivity. However, the biggest obstacle to the current arrangement is TNC’s inability to continue operating the program at the current levels of overhead income. Recent changes in resource allocation within TNC require all field operating units to contribute to organizational infrastructure expenses, the rate being calculated at 25% of total annual salary expenses, with full implementation of the levee scheduled for FY07. Since no overhead is collected on the state core contract (in exchange for housing and basic office services), and about half of the overhead from other grants and contracts is needed to supporting the local administrative functions of the Program, this requirement is untenable for MTNHP with the current funding structure. If the TNC contract were selected as the most desirable option, this problem would need to be resolved with TNC.

Transfer to a State Agency

In response to the proposal of integrating MTNHP fully into state government, the State Library raised the fewest concerns from stakeholders, who expressed very strong support for keeping the program within NRIS and located at the State Library – regardless of the administrative structure. Advantages cited included the proximity to state funding agencies, the IT infrastructure available within NRIS, the “one-stop shopping” advantage, and the absolute neutrality of the agency. Concerns about the State Library related more to its ability to advocate strongly for MTNHP funding and its willingness to administer field studies and data collection, which are services highly valued by partners.

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Many stakeholders expressed serious concern about the general concept of integrating the MTNHP into a state agency, regardless of which agency that might be. Primary among these concerns were:

- Agency priorities would take precedence over MTNHP and the program would be eroded, under-funded or even lost.
- Funding avenues and opportunities would be limited
- Flexibility with funding would be reduced
- Greater difficulty negotiating salaries/raises and arrangements that help retain excellent staff
- State employment may not attract the same people who are interested in working for a non-profit or University.
- Difficulty of transferring 16 FTE into state employment, and high risk of losing staff, if they are expected to interview for their positions.
- Increased bureaucracy, less efficiency and effectiveness.
- Loss of autonomy, probable changes in goals & direction.
- Limiting of ability for partners to easily provide funds for needed services.
- Less ability to work across jurisdictional boundaries with the Natural Heritage Network.

Full integration into state government (agency) also poses some administrative challenges:

- How to roll-over and/or achieve reasonable parity with current staff benefits -- especially retirement benefits vis-à-vis the state's pension system (given that some staff have 10 or more years with TNC).
- Unavailability of domestic partner health benefits; this is a key benefit to some staff, and has even played a decisive role in recent recruitment; it is not currently available within state government.
- Whether/how the program could continue to receive private funds, including private foundation funding, as part of a government entity.

Although MFWP was seen as a strong institution capable of effectively advocating for the program, stakeholders raised concerns about the highly political and often controversial area in which the agency operates, and the risk that information users would have reduced confidence in the data, simply because it came from a regulatory agency. Other partners were also concerned that if the program were administered by a single resource management agency with its own needs for MTNHP products and services, then other partners' needs would receive lower priority and perhaps go unmet. They also expressed concerns about the program's priority within the department, with its history and constituency focused on game resources, and these concerns extended to the program's long-term continuity.

Transfer to a University Affiliation

The University was also seen as a strong institution capable of supporting and advocating effectively for MTNHP, but stakeholders were concerned that the program could become a low priority, relative to other (larger and/or existing) programs and priorities. The University affiliation was perceived as being largely consistent with the program's reputation for objectivity and scientific credibility, however there were concerns about a possible shift of focus from information services and applied studies toward more basic research.

Most respondents evaluated the University option as a full transfer of the program to a University. However, a scenario that involves University administration of the program under the contract with MSL might provide more consistency with the Guiding Principles. Under this scenario,

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statutory authority would remain with the State Library, which would continue to contract for actual operation of the program (within the State Library building). The State Library could ensure, through the “Core Contract,” that primary products and services continue to be delivered by the contracting institution. This has worked extremely well with The Nature Conservancy as the contractor, and may continue to succeed if the new contracting institution is able and willing to carry on the program in the tradition that TNC has established. Ideally, the new contracting institution could offer some improvements in certain areas, most importantly through reduced political exposure (but also potentially lower overhead and/or greater administrative efficiency), and would not introduce major new weaknesses or concerns.

Based on input from funding partners and other stakeholders (summarized in Table 1) and general concerns about full transfer of MTNHP into a state agency, the University might be able to offer a contracting scenario comparable to that with TNC. Contracting with the University would carry less political risk than TNC (a conservation organization), and the University may be able to offer more effective administrative support in managing grant and contract funds – if overhead rates were not increased significantly.

Stakeholder concerns about the University’s commitment to maintaining valued services would need to be addressed through the core contract with MSL, and by active engagement of partners in a coordinating committee (see Other Recommendations, below). The fact that core program funding would continue to flow through the contract with MSL would provide the additional advantage of protecting it from the risk of reallocation or cutbacks within the University budget. In these ways, the contract arrangement would offset some of the major concerns expressed by stakeholders (who were asked to respond to full transfer proposals, rather than the “hybrid” scenario of transferring the contract while retaining statutory authority and primary housing in the State Library).

Other advantages offered by the University include:

- Ability to transfer staff and positions, with benefits most comparable to TNC’s.
- Increased collaboration between NHP biologists and university staff/students (potential for more work to be accomplished and more funding opportunities)
- Additional space for growth – this is becoming a limiting factor at the State Library
- Maintain a relatively autonomous Natural Heritage Program (relative to the various partners, agencies and information users).

Concerns that would need to be addressed in some fashion include:

- How to maintain a close connection and communication with other partners and information users, to ensure that MTNHP activities and services continue to meet customer needs and generate a high level of satisfaction and support.
- Concern about the reliability of University commitment to the program, including strong political and financial advocacy for the MTNHP.
- Concern about the University’s commitment to program continuity and funding, and how to ensure that the MTNHP would remain a priority for funding within the much larger University system and budget.

Preliminary discussions of arrangements include:

- The NHP would be established as a separate program under the Vice Provost for Research and Development.
- The NHP could retain its primary office in the State Library in Helena.

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- The off-campus overhead rate of 25% would apply to grants and contracts, unless under interagency agreements already in place. A negotiated portion of overhead income would be retained by the NHP.

Questions that still need to be answered include:

- Could an arrangement be created that would create links with both Universities -- opening the doors to collaboration and minimizing the potential for conflicts and competition -- while establishing a clear parent institution with lead responsibility for the MTNHP?
- What level of funding could the University contribute to support of the MTNHP?
- Could the arrangement be implemented in a way that give the MTNHP staff a strong sense of belonging to the parent organization and the State Library, and avoid the “stepchild” status in which neither entity takes full ownership of the program?

The Conservancy and the University are currently in discussions to identify how staff positions could be transferred to minimize impacts on individual staff, as well as what would be involved in the transfer of financial resources and agreements.

It should be noted that the University of Montana has been the only university actively engaged in the assessment process. Strong interest has been expressed from UM in assuming administration of MTNHP, at the levels of Department, College, Vice Provost and the President. MSU has been contacted (Ecology Department & Museum of the Rockies) and invited to join the process, however the conversation has not progressed beyond initial expressions of interest.

Transfer to an Alternative Non-Profit Organization

This option was not actively investigated early in the evaluation process (including through the Survey), because no appropriate organization other than TNC had been identified. However, because of concerns or feasibility issues with the other alternatives, this option has been re-evaluated and two possible alternatives identified.

NGO Option 1: Partnering with the Montana Natural History Center (MNHC). This is a small but very successful NGO based in Missoula. Its mission is “to promote and cultivate the appreciation, understanding and stewardship of nature through education.” It is active primarily in west central Montana, with hopes of growing a statewide scope. It operates with has 5 staff and various contractors, and has many volunteers, including a very active Board. MNHC operates on a combination of public grants and private donations, with an annual budget of around \$500,000. The recently purchased a building on the riverfront which houses offices, classrooms, a bookstore/gift shop, and an interpretive exhibit room which that is under development in cooperation with the UM museums of zoology and paleontology.

While this organization is small, its mission is compatible with MTNHP, it remains carefully neutral, has existing partnerships and grants with state and federal agencies. Senior staff are interested in further exploring the possibility of a partnership with MTNHP that could grow their education/information mission, staff expertise, geographic scope in the state and institutional capacity to be a successful professional organization.

NGO Option 2: Forming an independent non-profit organization. This has not been explored in any depth, but could stand as an alternative to partnering with an existing non-profit, if no other workable alternative could be identified.

Both of these options would require significant additional study.