



Management
Analysis
& Development

Memorandum

Date: Sept. 20, 2013

To: Lessard-Sams Outdoor Heritage Council members

From: Ralph Brown and Kirby Pitman
Management Analysis & Development

Subject: Review update

On behalf of the Lessard-Sams Outdoor Heritage Council, we are interviewing stakeholders involved with the Council's funding recommendation process, asking for their observations and assessment of the Council's use of either an annual cycle or a biennial cycle. The interview process is ongoing. The purpose of this memo is to give you a snapshot of what we have gathered as of Sept. 16, 2013.

Interviewees have been generous with their time, willing to provide background and context to the question of which cycle the Council ought to use. Most people, although making clear their preference, made a point of offering rationale on behalf of both options. That rationale is included in this memo; we should emphasize that the arguments are in rough form and in need of refinement.

Many people suggested that perhaps some sort of mixed or "quasi" approach should be considered; and they offered great variation on how such an approach could be structured. Those options also are listed here.

Although interviewees understood that the question is framed by legislative request, some noted that this was not necessarily the question that ought to be considered at this time. The most frequently expressed concern was not whether the cycle should be annual or biennial, but rather, who should make that determination. It was suggested that this is an operational consideration best resolved by giving the Council responsibility and authority to set its own operational cycles. These responses also are included.

We continue to interview and gather data. If you have any questions or concerns at any time, please contact us. (.Brown@state.mn.us, 651-259-3805; .Pitman@state.mn.us, 651-259-3817)

Annual or biennial cycle? Side-by-side rationales	
ANNUAL CYCLE	BIENNIAL CYCLE
Impact on mission, strategy	
1	<i>Longer-term funding makes sense because conservation is a long-term process.</i> The constitutional mandate of restoring, protecting and enhancing takes a long time from a conservation perspective. In this regard, biennial funding is more consistent.
2	<i>If the Council sees a need for more analysis and critical thinking, a biennial process allows time.</i> At some point the Council may want to devote more time to considering its outcomes and how to measure those outcomes. A biennial cycle frees time in year 2.
3	<i>To maintain its mission, the Council needs the option of shifting project direction.</i> For example, DNR emergency orders can allow grazing during drought. This is counter to the Council’s mission; an annual cycle gives the Council flexibility to ensure that funds aren’t used on land with emergency grazing.
4	<i>To steer its long-term strategy, the Council needs to keep its hand on the wheel.</i> For example, if economic conditions increase the conversion of native prairie to cropland, the Council can counter with project emphasis on acquiring native prairie over other targets. Biennial could delay this option another year.

5	<p><i>The mission requires public awareness; an annual cycle heightens media attention.</i> Annual recommendations keep conservation in the headlines, building public involvement in conservation efforts.</p>	
<p>Impact on recommendation process</p>		
6	<p><i>The Council cycle should be consistent with similar entities.</i> The Council is most like LCCMR and it uses an annual cycle. (While the Clean Water council has some similar projects, it is not at all similar in its approach to oversight.)</p>	<p><i>The Council cycle should be consistent with similar entities.</i> It is a Legacy Fund, and all other Legacy Fund councils use a biennial cycle. (And the Clean Water council also handles similar land acquisition projects.)</p>
7	<p><i>An annual cycle enables the Council to address fast emerging needs.</i> Issues such as emerald ash borer, Asian carp or silica mining may develop in a way that demands a fast response. A shorter cycle increases the likelihood of faster action.</p>	
8	<p><i>An annual cycles enables the Council to support land acquisition with faster responses.</i> When property sought for acquisition becomes available with a short window of opportunity, a shorter cycle increases the likelihood of success.</p>	<p><i>Land acquisition is not a problem with a biennial cycle.</i> The Parks and Trails legacy fund also does much land acquisition and it has been able to acquire targeted land while operating on a biennial cycle.</p>
9	<p><i>The current annual process works.</i> The OLA has examined the process and confirms that the process is working well.</p>	
10	<p><i>With LCCMR, a key reason for selecting an annual cycle was to be more nimble.</i> Although the Commission realized an annual cycle would reduce its time available for fact-finding, it was viewed as an acceptable trade-off for being more nimble.</p>	

11	<p><i>Annual cycle is more consistent with private foundation grantmaking.</i> Private foundations operate in many ways, but in general they tend to have multiple grant-making cycles within a year, and funds are disbursed soon after the award. Private foundations try to avoid the time lag inherent in the legislative funding process.</p>	
12		<p><i>Problems with supplanting funds are easier to address in a biennial cycle.</i> Some projects have a problem with potentially using Council funds to pay for things that would have been paid for from another source. It may be easier to resolve in a biennial cycle.</p>
Impact on oversight process		
13	<p><i>Longer-term project management may be tighter in an annual cycle.</i> When large-project managers know they need to return for funding each year, it is incentive to stay alert throughout each year. Even the best agencies and organizations have difficulty with some projects. Accountability requires annual reviews in those cases.</p>	<p><i>The Council maintains project control even with a biennial funding commitment.</i> If a problem is detected, staff can work with the project manager and get things on-track for the second year. Applicants want to maintain a good relationship for the future.</p>
14		<p><i>A biennial cycle can be less cumbersome for council staff.</i> If they didn't have to repeat the RFP process each year, they would have more time for tracking ongoing projects and could better help the council on strategic matters.</p>
15	<p><i>Ongoing project tracking is better resolved by more staffing than by a different cycle.</i> The Council has agreed to hiring more staff, which should help alleviate the growing complexity of so many active projects.</p>	<p><i>An annual cycle will soon leave inadequate time for adequate tracking of ongoing projects.</i> Given how the amount of ongoing projects grows, soon staff and council members may be providing minimal or inadequate project oversight.</p>

16	<p><i>A biennial cycle might result in changed project requirements.</i> The argument is theoretical but a real concern. With double the money to address in a biennial cycle, over time the council may tend to set higher limits and higher standards, reducing the possibility of innovative smaller projects.</p>	
17	<p><i>Oversight is an argument for annual.</i> If this Council, like the Clean Water council, mostly directed funds to state agencies who accepted much of the oversight role, then biennial might work better. But the Council needs an annual approach for its more extensive oversight role.</p>	
<p>Impact on applicants</p>		
18	<p><i>Smaller applicant organizations cannot commit to matching fund obligations more than a year out.</i> Even larger groups have limited operating reserves. If the legislature earmarks funds for two years and then the applicant organization cannot raise the matching funds, it becomes a problem.</p>	<p><i>Applicant organizations can find it easier to fundraise when they have a biennial allocation.</i> When an organization has a two-year state funding commitment in hand, it can be easier to raise matching funds from other sources.</p>
19	<p><i>Defunding or un-allocating designated projects is a serious issue with a biennial cycle.</i> In the second year, if a new issue emerges, or if new legislators simply want something else, projects may lose funds intended for them., and for which they may already be fundraising for matching funds.</p>	
20	<p><i>An annual cycle does not take much more time for applicants.</i> Even with a biennial cycle, applicants need to be involved every year with reporting requirements and tracking developments with the council. They are continually involved regardless of the cycle. With either cycle, applicants will be returning with similar but new projects.</p>	

21	<p><i>Larger organizations whose proposals are initially rejected may prefer an annual cycle.</i> An annual cycle may possibly mean some extra work but they have the capacity to do that work, and they appreciate being able to incorporate the latest information into their proposals.</p>	
22	<p><i>Small organizations whose proposals are initially rejected may prefer an annual cycle.</i> While smaller organizations may not have the capacity of larger ones, they appreciate being able to learn what can strengthen their proposals, then quickly turning around and submitting an improved version the next year. It gives them a better second chance and ultimately results in the council accepting better projects.</p>	<p><i>Biennial funding provides certainty to small organizations that need certainty.</i> Given the fewer resources and options often available to smaller organizations, having funding secured for two years improves their ability to plan and manage their activity. Larger organizations also can appreciate the certainty of two year funding and its impact on project management.</p>
23	<p><i>There will be a period of disruption if the council switches to a biennial process.</i> For both applicants and for ongoing projects, a major process change typically means transitional headaches.</p>	<p><i>Transition to a biennial process would not be disruptive.</i> Participating organizations already are used to multi-year projects and activities. With some lead time for preparation, a biennial process would not cause problems.</p>
24	<p><i>The upcoming online application system will reduce time requirements.</i> Any extra time that an annual cycle (vs. a biennial cycle) demands of applicants will be reduced or eliminated when the Council rolls out its online system.</p>	
24		<p><i>A biennial cycle reduces the reporting process for successful applicants.</i> For organizations that continually seek money, receiving biennial funds effectively cuts their reporting activity in half.</p>
26		<p><i>A biennial cycle saves organizations time in the application process.</i> The written proposal itself is not the time drain, it is the commitment to attend Council meetings, Legislative hearings, informal meetings to discuss joint funding, etc. A biennial process would reduce some of this time.</p>

27		<p><i>A biennial cycle helps marketing and promotion.</i> The Council needs to get outstate and talk with people, getting their ideas and encouraging them to be part of the process. Touching base with people is part of accountability. A biennial cycle makes this more possible.</p>
Impact on Legislature		
28	<p><i>Annual has been the intended approach from the beginning.</i> The legislature, after deliberation, established an annual cycle before the initial Council was named.</p>	
29	<p><i>The inherent difficulty in a longer budget term is seen by suggesting that the state adopt a five year cycle.</i> No one would argue that a five year cycle makes any sense. This simply magnifies the problem inherent in even a biennial cycle.</p>	
30	<p><i>An annual cycle is consistent with the State which is both annual and biennial.</i> The budget is biennial but the legislature meets annually and makes funding decisions every year.</p>	<p><i>A biennial cycle is more consistent with state practices.</i> The legislature generally funds on a biennial basis and state agency budgets are biennial. All of the other Legacy funds make biennial recommendations. The state standard is biennial.</p>
31	<p><i>The LCCMR has tried both ways, and has chosen an annual cycle.</i> Going back to the LCMR days, that commission has experimented more than once, and has concluded that an annual cycle is preferable at this time.</p>	
32	<p><i>Two smaller annual allocations raises fewer eyebrows than one larger biennial allocation.</i> This is not a criticism of policy makers or the public, but an acknowledgement that all people can be susceptible to sticker shock. Given the cost of land acquisition, biennial allocations can raise questions when there is no real issue.</p>	

33	<p><i>An annual cycle is more accommodating to shifts in political power.</i> When a new group gains some legislative control, it is easier for them to make changes if new recommendations are proposed each year.</p>	
<p>Impact on the Council</p>		
34	<p><i>An annual cycle helps the Council view proposals with a critical eye.</i> It is easier to say no to a proposal knowing it can be back again for consideration in one year rather than in two years.</p>	
35	<p><i>Council members volunteered, knowing what the annual cycle time commitment would be.</i> While it may be true that a biennial cycle might require less time, it is a burden that council members are willing to accept if it means better end results.</p>	<p><i>A biennial cycle can be less cumbersome for council members.</i> With an annual cycle, the council has to commit most of its time to reviewing proposals, frequently the same ones in both years of the biennium. With a biennial cycle, there is less of a time demand on council members.</p>
36		<p><i>A biennial cycle can make oversight a Council role rather than just a staff role.</i> With a biennial cycle, Council members could do more project review including site visits. Site visits can make some projects more understandable.</p>
37	<p><i>A biennial cycle may have too much workload pressure at key points.</i> With double the funding, a biennial cycle may come close to double the projects. This could result in an excessive workload at two key points: the weeks before the application deadline when organizations seek help, and the approval process for accomplishment plans after the funding decisions.</p>	

OPTIONS for a mixed or quasi- cycle approach

Suggested options include:

- Alternate between annual and biennial cycles whenever it seems right for a change, an experiment similar to LCCMR.
- Recommend about 75 percent of biennial funds in year 1, saving the rest in case new issues emerge in year 2.
- Recommend about 75 percent of biennial funds in year 1, saving the rest only for smaller innovative projects in year 2.
- Recommend funds to large, expansive projects biennially, but recommend all others annually.
- Recommend funds to state agencies biennially, but recommend funds to local governments and private organizations annually.
- Recommend funds biennially for certain types of projects (to be designated) but recommend other types annually.
- Recommend funds biennially to organizations that are up-to-date in accomplishing currently active projects, and recommend annually to all others.
- Recommend funds biennially when a project reaches its fourth phase; recommend all others annually.
- Recommend some projects annually and some biennially in year 1, based on whatever criteria make sense in that year.
- Recommend large projects annually and smaller projects semi-annually.
- Regardless of what mixed or quasi-approach is used, create a tightened review process for biennial projects in year 2.

ISSUES around cycle selection

Issues to consider outside of the annual/biennial question:

- The Council, like LCCMR, should have the flexibility to decide what cycle and what cycle variations works best for its purpose. This works best as an internal question, not an external question.
- State agencies have good processes in terms of checks and balances, but they take too long to be effective. State agency process redesign should be the priority concern regarding timeframes, rather than the annual/biennial cycle question.
- The Council needs to revisit its mission and long-term strategies on occasion, perhaps every five or ten years. Ongoing cycles should be able to be flexed on occasion to allow the Council time for its high-level work.
- The Council is still relatively new. Its relationship with the rest of government is still in formation, with questions all around regarding expectation and trust. It makes sense not to impose any procedural changes now. Give the Council a chance to learn experientially what processes best help it to achieve its purpose. Give both the Council and the Legislature more of a chance to develop a stronger working relationship.