



FY 2012

**PERFORMANCE AND
ACCOUNTABILITY REPORT**

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November 15, 2012

FY 2012 Performance and Accountability Report

The Udall Foundation is an Executive Branch agency that was established by Congress in 1992 and began operations in FY 1995. It helps educate the next generation of Native American and environmental leaders through scholarships, a Congressional Native American internship program, graduate fellowships, and the Native Nations Institute for Leadership, Management and Policy.

The Foundation also operates the U.S. Institute for Environmental Conflict Resolution, which is the only entity within the federal government focused entirely on preventing and resolving environmental conflicts. The U.S. Institute promotes meaningful participation by a wide range of stakeholders in decision making and resolving conflicts involving the federal government.

The Foundation has a track record of translating modest funding levels into concrete national achievements in these areas. In order to ensure that the Foundation continues to do so, the Board began a comprehensive review of management, performance and accountability with the help of outside experts in 2012 that will continue in 2013 and will ultimately result in greater accountability and improved performance across the Foundation's programs.

In addition, I am pleased to report that, as in all previous audit years, the Foundation received an unqualified ("clean") audit opinion for FY 2012, which assures Congress, the general public and others that the financial statements contained in this report accurately reflect the financial health of the Foundation.

The Board extends its thanks to those who have provided support to the Foundation and believes this performance and accountability report justifies the continued support of our activities.



Eric D. Eberhard
Chairman of the Board

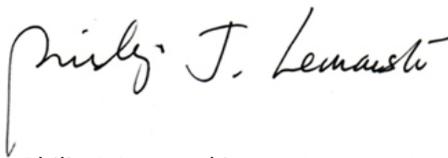
November 15, 2012

FY 2012 Performance and Accountability Report

As in prior years, the Foundation achieved an outstanding performance record in FY 2012. This performance record is but one measure of the ways in which the Foundation's staff continuously works to improve its programs every year.

I refer you to the attached Management Discussion and Analysis for a summary of the Foundation's mission, goals and accomplishments, as well as financial data for FY 2012. The financial and performance data included in the report are reliable and complete.

I am pleased to note that the Foundation received an unqualified ("clean") opinion for FY 2012, and that no material weaknesses were identified by the independent auditor. This excellent result assures the Congress and the public that the financial information presented is accurate and reliable. In FY13, the Foundation will, with external expertise, assess and significantly improve management and other internal controls.



Philip J. Lemanski
Acting Executive Director and CFO

Management Discussion and Analysis

Mission and Organizational Structure

UDALL FOUNDATION

Mission

In 1992, Congress created the Morris K. Udall Scholarship and Excellence in National Environmental Policy Foundation.¹ In 1998, Congress amended the enabling legislation to create the U.S. Institute for Environmental Conflict Resolution as a program of the Udall Foundation.² Congress modified the Udall Foundation's enabling legislation in 2000, authorizing management and leadership training, assistance and resources for policy analysis, and other appropriate activities related to Native American health care and tribal leadership.³ All of this authorizing legislation is codified at 20 U.S.C. 5601-5609. Most recently in 2009, Congress enacted legislation to recognize Stewart Udall through the Foundation, renaming it the Morris K. Udall and Stewart L. Udall Foundation.⁴

The law gives governing authority for the Foundation to a Board of Trustees, appointed by the President with the advice and consent of the U.S. Senate.

The purposes, as set forth in the law, of the Udall Foundation are to:

- increase awareness of the importance of and promote the benefit and enjoyment of the nation's natural resources.

- foster a greater recognition and understanding of the role of the environment, public lands and natural resources in the development of the U.S.

- identify critical environmental issues.

- develop resources to properly train professionals in the environmental and related fields.

- provide educational outreach regarding environmental policy.

- develop resources to properly train Native American and Alaska Native professionals in health care and public policy, by conducting management and leadership training of Native Americans, Alaska Natives, and others involved in tribal leadership, providing assistance and resources for policy analysis, and carrying out other appropriate activities to achieve these goals.

- establish the U.S. Institute for Environmental Conflict Resolution to assist the federal government in implementing section 101 of NEPA by providing assessment, mediation, and other related services to resolve environmental disputes involving federal agencies.

¹ Morris K. Udall Scholarship and Excellence in National Environmental and Native American Public Policy Act of 1992, Public Law 102-259.

² Environmental Policy and Conflict Resolution Act of 1998, Public Law 105-156.

³ Omnibus Indian Advancement Act, Public Law 106-568, Section 817.

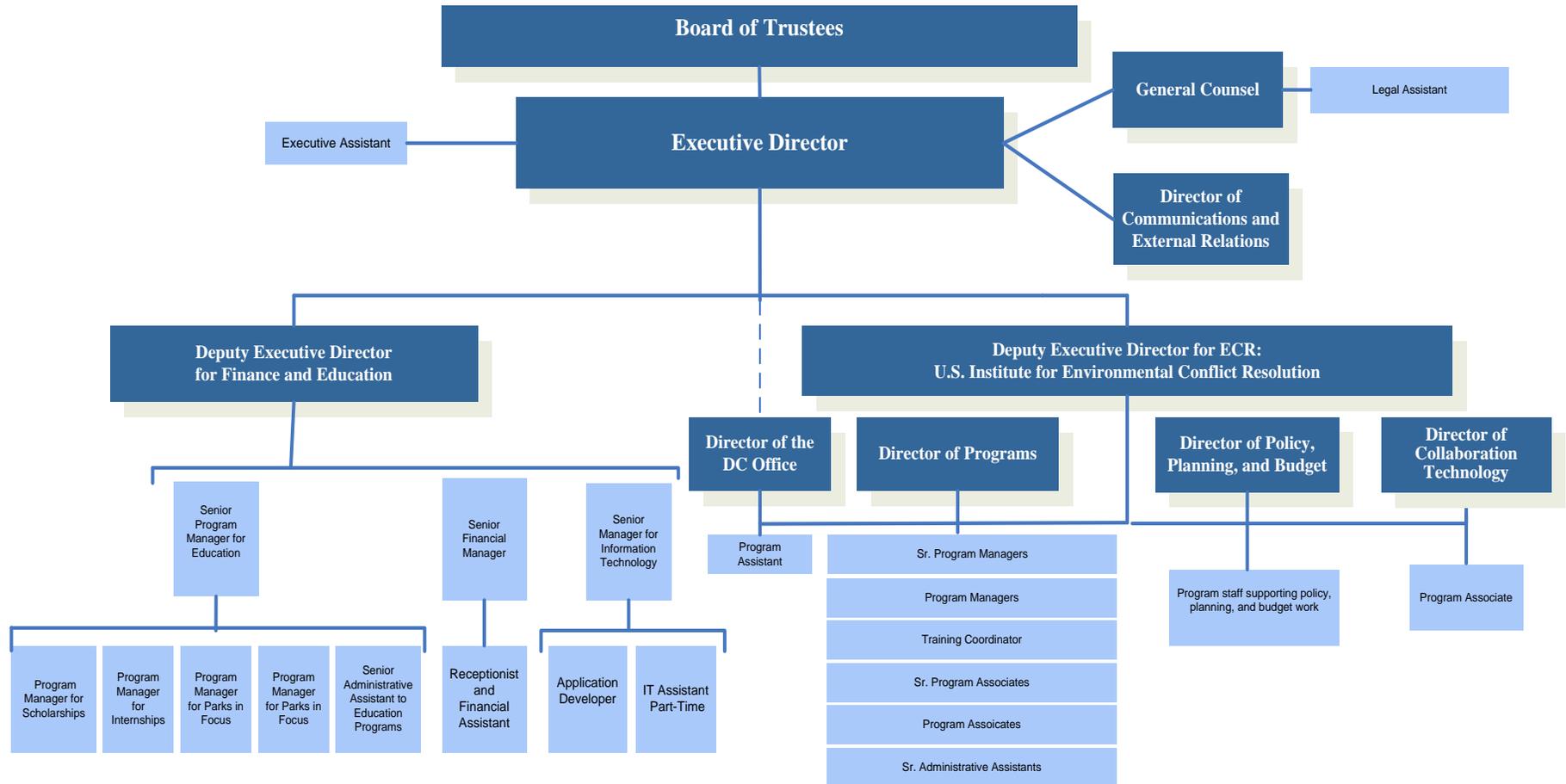
⁴ Morris K. Udall Scholarship and Excellence in National Environmental Policy Amendments Act of 2009, Public Law 111-90.

Organizational Structure

The Foundation is organized into two distinct program areas: education programs and the U.S. Institute for Environmental Conflict Resolution. In FY 2012, the Foundation had 38 FTEs.

Shown on the next page is the FY12 organizational chart for the agency.

Udall Foundation Organization Chart



10/24/12

Education Programs

The Foundation is authorized to award scholarships, fellowships, internships and grants for educational purposes. The specific areas permitted by the law are:

Scholarships for college undergraduates in two areas – 1) to those who intend to pursue careers related to the environment and 2) Native Americans and Alaska Natives who intend to pursue careers in health care and tribal public policy.

Internships, including awards to Native American and Alaska Native individuals participating in internships in federal, state and local agencies or in offices of major public health or public policy organizations.

Fellowships to graduate students pursuing advanced degrees in fields related to the environment.

Grants to the Udall Center for Studies in Public Policy at the University of Arizona, for various purposes including research on environmental policy, Native American and Alaska Native health care issues and tribal public policy issues.

All of the above education programs are funded by the annual income from the Trust Fund. The annual income is specifically allocated by the law, as follows: at least 50 percent for scholarships, internships and fellowships; at least 20 percent for grants to the Udall Center; and a maximum of 15 percent for salaries and other administrative costs. Parks in Focus and other activities are funded from the remaining 15 percent of Trust Fund income.

One of the Foundation's purposes is to develop resources to train Native American and Alaska Native professionals in health care and public policy by developing management and leadership training of those involved in tribal leadership and providing assistance and resources for policy analysis.

In connection with this purpose, the Udall Foundation co-founded the Native Nations Institute for Leadership Management and Policy with the University of Arizona in 2000. NNI provides executive management and leadership training to tribal leaders, as well as policy analysis. Congress has authorized the Udall Foundation to transfer a portion of its Trust Fund appropriations in each of fiscal years 2001 through 2012 for the purposes of NNI. The Foundation has transferred a total of \$9 million over that period to NNI.

The U.S. Institute for Environmental Conflict Resolution

The U.S. Institute for Environmental Conflict Resolution (U.S. Institute) provides services such as assessment, mediation, and training to resolve environmental disputes involving the federal government. Congress has provided annual operating appropriations for the U.S. Institute every year since fiscal 1999. The U.S. Institute is also authorized to collect and retain fees for services it provides.

Performance Goals, Objectives and Results

Performance Goals

The Foundation has two overarching strategic goals with associated objectives that contribute to the Foundation's efforts to meet its mission.

These strategic goals and objectives are:

Strategic Goal 1: Provide educational opportunities to promote careers related to environmental policy and natural resources, Native American health care, and Native American tribal policy.

Objective Goal 1a: Increase educational opportunities that promote understanding and appreciation of the environment, environmental policy, natural resources and public lands through scholarships and fellowships.

Objective Goal 1b: Increase educational opportunities for Native Americans and Alaska Natives in health care and tribal public policy.

Strategic Goal 2: Resolve environmental conflicts and improve environmental decision making through mediation, training and related activities.

Objective Goal 2a: Resolve environmental conflicts and improve environmental decision making by increasing the appropriate use of environmental conflict resolution (ECR) through U.S. Institute case services.

Objective Goal 2b: Resolve environmental conflicts and improve environmental decision making by increasing the capacity of agencies and other affected stakeholders and practitioners to manage and resolve conflicts through the appropriate use of ECR.

Objective Goal 2c: Resolve environmental conflicts and improve environmental decision making by providing leadership to guide ECR practice and policy development within the federal government.

Detailed performance measures, targets and timeframes are defined for each goal.

Performance Results

Education Activities

FY 2012 objectives for education opportunities (Strategic Goal 1) focused on:

Objective Goal 1a. Increasing educational opportunities that promote understanding and appreciation of the environment, environmental policy, natural resources and public lands through scholarships and fellowships.

As targeted for FY 2012, 80 undergraduate scholarships of up to \$5,000 each and 50 honorable mention awards of \$350 each. Two dissertation fellowships of \$24,000 each had been awarded since 1997, however in FY 2012 the fellowship program was suspended due to decreased revenue. In terms of quality, the Foundation exceeded its performance target with 95% of scholars reporting they received a quality educational experience in their program activities and interactions with the Foundation. Higher education institutions appointed 1,109 faculty representatives to guide and advise students on Udall scholarship opportunities, just below the Foundation's FY 2012 target of 1,200. Significant effort was directed at recruiting and developing relationships with faculty representatives in FY 2012, but the number of newly recruited representatives did not offset outgoing representatives (e.g., retiring and relocating faculty). The Foundation believes that in maintaining a faculty base of approximately 1,100 it has hit an optimal level of faculty representation for operating the scholarship program. The Foundation also believes it is worth noting that for FY 2012 the number of institutions nominating students increased by 13%, and the participating faculty representatives nominated 585 scholars to complete for the 80 scholarships.

Objective Goal 1b. Increasing educational opportunities for Native Americans and Alaska Natives in health care and tribal public policy.

A significant part of the Foundation's mission is to provide educational resources for Native Americans and Alaska Natives related to health care and tribal public policy, with a particular focus on management and leadership training. The goal of the Foundation's Native American and Alaska Native Congressional Internship Program is to provide the majority of interns a comprehensive legislative and quality education experience. For FY 2012, the Foundation placed 12 interns in Congressional offices and agencies; eleven interns completed the program and all (100%) rated their internship experience highly.

For FY 2012, the Foundation exceeded its performance objective related to management and leadership training provided to Native American tribes through the Native Nations Institute for Leadership, Management, and Policy (NNI). Eighty-nine percent of respondents reported that the Native Nations Institute is an important resource for them in carrying out their nation building work.

Environmental Conflict Resolution Activities

FY 2012 objectives for environmental conflict resolution (Strategic Goal 2) focused on:

Objective Goal 2a. Resolving environmental conflicts and improving environmental decision-making by increasing the appropriate use of ECR through U.S. Institute case services.

The U.S. Institute exceeded its FY 2012 performance target by providing 101 case consultations designed to enable federal agencies and other affected stakeholders effectively engage in ECR. These services included early advice, consultation and convening services that are necessary to begin a conflict resolution process (and are generally not reimbursable). The U.S. Institute was eight percentage points below target for referral and assessment services, and the Institute exceeded its FY 2012 performance target for mediation and facilitation services. In combination, these case support services help federal agencies and other stakeholders increase the appropriate use of ECR by: (a) providing advice on whether ECR is appropriate in a given situation, (b) connecting stakeholders with qualified mediators, (c) analyzing conflicts and designing conflict resolution strategies, and (d) bringing parties to the table and mediating environmental disputes. To improve performance on referral services, the U.S. Institute submitted a revised information collection request (ICR) to OMB. The ICR revisions, approved by OMB in September 2012, will improve the quality and format of the data collected so that the referral search engine and related information products are more informative and valuable to users. The U.S. Institute anticipates that system improvements will be implemented by mid FY 2013. The evaluation feedback received on referral, assessment and other case services will be used to assess where performance met or exceeded expectations, and where improvements need to be made.

Objective Goal 2b. Resolving environmental conflicts and improving environmental decision making by increasing the capacity of agencies and other affected stakeholders and practitioners to manage and resolve conflicts through the appropriate use of ECR.

Two activities were undertaken in connection with this goal. They included ECR training services and programmatic support services (e.g., assistance with the implementation of agency ECR program initiatives). The U.S. Institute's FY 2012 training included agency-requested sessions aimed at specific needs, capacity building efforts integrated into conflict resolution processes, and training for those involved in the field of ECR, including practitioners and ECR leaders in government agencies. For FY 2012 the U.S. Institute exceeded its performance target with 95% of participants who experienced an ECR training reporting "what they take away from the training will have a very positive impact on their effectiveness in the future." The U.S. Institute also received positive evaluation feedback and exceeded the FY 2012 performance target for its programmatic support services.

Objective Goal 2c. Resolving environmental conflicts and improving environmental decision making by providing leadership to guide ECR practice and policy development within the federal government.

In connection with objective 2c, the U.S. Institute targeted six major activities to be undertaken during FY 2012. As targeted, these activities included: (1) Assisting the Council on Environmental Quality (CEQ) and the Office of Management and Budget (OMB) in their efforts to engage leadership throughout the federal government to discuss ways to more systematically prevent or reduce environmental conflict as directed by the November 2005 ECR policy memorandum. (2) Hosting the seventh national ECR Conference. (3) Advancing Technology-Enhanced ECR in line with the Administration guidance on technology adoption. (4) Continuing to develop the Native Dispute Resolution Network and related Skills Exchange Workshops. (5) Enabling interagency dialogue to promote government efficiency and effectiveness. (6) Continuing to support a pilot Regional

Environmental Forum, a mechanism to pursue collaborative solutions to environmental and natural resources issues by linking various levels of government both vertically and horizontally in collaborative problem solving processes.

Analysis of Financial Statements and Stewardship Information

Introduction and Analysis of Statements

The Federal Accounting Standards Advisory Board requires that the agency's financial statements be displayed in several formats. The annual financial statements include a Balance Sheet, Statement of Net Cost, Statement of Changes in Net Position, Statement of Budgetary Resources, and related notes. The statements are in addition to the internal financial reports to management, which are prepared from the same data.

The Foundation's appropriation is deposited into two funds. The statements combine data for both the Trust Fund and the U.S. Institute for Environmental Conflict Resolution (U.S. Institute) programs. Although both funds invest available balances in Treasury obligations, they differ in how they may be spent: U.S. Institute appropriations remain available until expended and are used for annual operations; the appropriations for the Trust Fund are added to principal and invested, and only the income may be used to fund the Foundation's educational programs.

Public Law 102-259 authorized appropriations of \$40 million for the Foundation Trust Fund. The initial appropriation in 1994 was approximately \$19.9 million; from FY 1998 through FY 2012, an additional \$32.4 million has been appropriated by the Congress, of which \$9 million has been transferred to the Native Nations Institute (NNI), bringing the total appropriations deposited in the Trust Fund to \$43.3 million. The Trust Fund is invested by law in Treasury obligations.

The U.S. Institute has received annual operating appropriations of approximately \$1.3 million each year from FY 1999 through FY 2005, \$1.9 million in FY 2006 through FY 2007, \$2 million in FY 2008, \$2.1 million in FY 2009 and \$3.8 million in FY 2010 through FY 2012. The U.S. Institute also received a one-time start-up appropriation of \$3 million.

Balance Sheet

The Balance Sheet provides a "snapshot" of the Foundation's financial condition as of the end of the fiscal year. The Assets category includes both long-term investments and Treasury balances that are invested on a monthly basis.

Overall, assets grew by approximately \$2.5 million (nearly 5%). The increase in total assets resulted primarily from appropriations paid from the Treasury into the Trust Fund, and, to a much smaller degree, from increases in assets associated with Institute operations.

The vast majority of the Total Assets shown on the balance sheet are Trust Fund investments, representing both short and long term Treasury obligations. Because annual appropriations to the Trust Fund may not be spent, but must be invested, these appropriations increased the fund balance in FY 2012. Since long-term rates were not favorable in FY 2012, and therefore long-term investments were not purchased to replace short-term investments, the increase in Assets is the result of an increase in short-term obligations. In addition, a \$4.75 million long-term bond matured in August and the proceeds were used to purchase short-term obligations. Short-term obligations will be used to purchase long-term obligations when rates increase from historic lows. In the past, the Foundation established a goal of a 5% yield for long-term investments. With long-term rates below this threshold, and premium costs at historic highs, additions to the Trust Fund continue to be invested for the short-term.

Total Institute assets increased nearly 10% and liabilities sharply decreased due to a significant decrease in liabilities associated with advance payments.

The U.S. Institute has spent 50% of its one-time start-up appropriation of \$3 million. The fund was used for infrastructure needs as well as programmatic initiatives, such as expanding the Native American sector. The balance is included in assets along with any additional savings from earnings. The U.S. Institute is authorized to collect and retain fees from federal agencies for its work. All available balances are invested monthly in short-term treasuries.

Statement of Net Cost (SNC)

The SNC displays the respective total expenses, net of earned revenues. Overall, the net cost of operations increased by approximately 1.3% in FY 2012. Trust Fund activity was nearly the same as FY11. Project activity for the U.S. Institute resumed at approximately FY10 levels after an anomalous 2011 fiscal year. While earned revenue for the Institute's services sharply decreased from FY11 (approximately 19%), it was 4.4% less than in FY10. Institute expenses decreased by approximately 12%, but were nearly identical to FY10.

Statement of Changes in Net Position

Overall, the ending balances increased in FY 2012 by \$3.2 million. Most the change results from a \$2 million increase in the Trust Fund's net position.

Statement of Budgetary Resources (SBR)

The SBR provides information to help assess budget execution and compliance with budgetary accounting rules. It provides information on total budgetary resources available, the status of those resources, and outlays. This statement is prepared on an "obligation" basis as opposed to the accrual basis of accounting used for the other statements. Overall, budgetary resources increased nearly 2%. Trust Fund outlays decreased slightly. Overall net outlays increased approximately 25%, mostly due to a sharp increase in the Institute's net outlays.

Controls, Systems, and Legal Compliance

Financial Audit

In fiscal year 2012, the Foundation had its tenth independent audit of its financial statements. The audit provides additional assurance to its constituents, to Congress, and to the Foundation's Chief Financial Officer that the Foundation's financial transactions and management practices are in keeping with established laws, regulations, and practices. The Foundation received unqualified ("clean") opinions for all years.

Independent Auditor's Reportable Condition (FY 2012)

The independent auditors identified no deficiencies in internal control that are considered materials weakness in financial reporting during their audit for the year ended September 30, 2012.

Condition

The U.S. General Services Administration's (GSA) Finance Center, a federal financial management center of excellence, performs necessary payroll and financial services for the Foundation. Examples of the services are: Furnishing all necessary payroll support functions; receipt and disbursement of funds; financial reporting and related accounting functions; and execution of all investments in Treasury obligations, the only investment vehicle available to the Foundation. Management considers GSA to be part of the Foundation's financial management.

Statement of Assurance

The Udall Foundation's management is responsible for establishing and maintaining effective internal control and financial management systems that meet the objectives of the Federal managers' financial integrity Act (FMFIA). The Foundation conducted its assessment of the effectiveness of its internal controls and financial management systems, and it determined that the financial controls for both financial accounting and reporting are sufficient; however, an external audit has identified deficiencies in management and contracting controls. An external expert will assess and characterize these deficiencies as well as proposing improvements.



Philip J. Lemanski
Acting Executive Director

Possible Future Effects of Existing Events and Conditions

Future Effects and Trend Data

Education Programs: Current Federal Reserve policy on interest rates is expected to keep both long and short-term yields on Treasury instruments very low for an extended period of time. If both short and long-term yields on Treasury instruments are low, the Foundation will not earn as much interest to fund its Education program. In addition, a long-term bond matured in FY12 and cannot be replaced with similar yields unless prohibitively high-cost premiums are paid. Since this bond cannot be replaced because of prohibitively expensive premiums, the Foundation suspended its fellowship program. Deeper cuts, specifically in the scholarship program, are budgeted in FY13.

U.S. Institute for Environmental Conflict Resolution: Although the U.S. Institute charges fees for all ECR cases and projects that develop beyond the initial consultation stage, it has relied upon a baseline appropriation to support its operations. Since the U.S. Institute has a statutory obligation to use the services of neutrals in the geographic area of the dispute when feasible, the use of contracted service providers leverages the effort of the small staff and enables the Institute to work on a far larger number of cases and projects.

There are, therefore, two unknowns that could adversely affect operations – a significant reduction of the entity’s baseline appropriations or a sharp reduction in fees due to the inability of agencies to pay. It is anticipated that actual reductions in agency budgets, or the uncertainty that budgets will be reduced, may reduce either the scale or scope of federal ECR efforts. The U.S. Institute is continuing efforts to reach out to a broader array of agencies in order to reduce the likelihood of downward swings in the Institute’s overall earned revenue. Such diversification will reduce the potential for sudden drops in earned revenue, all other factors being held constant.

Limitations of the Financial Statements

The enclosed principal financial statements have been prepared to report the financial position and results of operations of the Foundation, as required by 31 U.S.C. 3515(b). The statements have been prepared from the books and records of the Foundation in accordance with accounting principles generally accepted in the United States of America (GAAP) for Federal entities and the formats prescribed by the Office of Management and Budget. These financial statements are in addition to other financial reports used to monitor and control budgetary resources that are also prepared from the same books and records.

FY 2012 Performance Results

Background

The mission of the Udall Foundation, an independent agency of the executive branch, is established by its enabling legislation, codified at 20 U.S.C. 5601 et seq. The law focuses the Foundation's programs in two major areas:

- *Providing educational opportunities* related to environmental policy, Native American health care, and Native American tribal policy, and
- *Assisting to resolve environmental disputes that involve federal agencies* through mediation and related services.

To meet its education mission, the Foundation administers a national scholarship and fellowship program, conducts a summer Native American internship program in Washington, D.C., and supports the Native Nations Institute, which provides executive and leadership training and policy analysis assistance for American Indian Tribes. The Foundation also sponsors "Parks in Focus," a program intended to foster an interest in and appreciation for the environment and natural resources in young people through photography-centered visits to national parks.

The Foundation's environmental conflict resolution mission is addressed by the U.S. Institute for Environmental Conflict Resolution, a Foundation program created by Congress in 1998 to provide mediation, facilitation, training and related services to assist in resolving environmental, natural resources, and public lands conflicts involving federal agencies. As an independent, third-party neutral, the U.S. Institute is able to assist all parties (private-sector entities, state, local and tribal governments, and federal agencies) to collaborate more effectively on decisions affecting the environment and natural resources.

The Foundation has two overarching strategic goals, each with associated objectives and performance goals that contribute to the Foundation's efforts to meet its mission.

Performance Result

Strategic Goal 1 (Education Programs): Provide educational opportunities to promote careers related to environmental policy and natural resources, Native American health care, and Native American tribal policy.

Objective Goal 1a: Increase educational opportunities that promote understanding and appreciation of the environment, environmental policy, natural resources, and public lands through scholarships and fellowships.

Provide merit-based awards for (1) undergraduate scholarship recipients who intend to pursue careers related to the environment, and Native American and Alaska Native scholarship recipients who intend to pursue careers in tribal public policy and health care, and (2) Ph.D. candidate award recipients whose dissertations focus on U.S. environmental policy and/or conflict resolution. The Udall scholarship is by nomination only; the designated Udall Faculty Representative at higher education institutions must nominate students.

Performance Goal 1 – Scholarships and Fellowships



| Increase award opportunities for students pursuing careers related to the environment, and Native American students in tribal public policy and health care. | Fiscal Year | Annual Target | | | Actual Performance | | |
|--|-------------|---------------|-----|-----|--------------------|-----|-----|
| | | (a) | (b) | (c) | (a) | (b) | (c) |
| a) Undergraduate Scholarships b) Undergraduate Honorable Mention Awards c) Graduate Fellowships | FY 2008 | 80 | 50 | 2 | 80 | 50 | 2 |
| | FY 2009 | 80 | 50 | 2 | 80 | 50 | 2 |
| | FY 2010 | 80 | 50 | 2 | 80 | 50 | 2 |
| | FY 2011 | 80 | 50 | 2 | 80 | 50 | 2 |
| | FY 2012 | 80 | 50 | 1* | 80 | 51 | 0 |

*Fellowship suspended in 2012 due to low Trust Fund revenues.

| Increase the percent of scholarship and fellowship recipients who report they received a quality educational experience in their interactions and program activities with the Foundation. | Fiscal Year | Annual Target | Actual Performance |
|---|-------------|---------------|--------------------|
| | FY 2008 | 92% | 95% |
| | FY 2009 | 93% | 100% |
| | FY 2010 | 93% | 100% |
| | FY 2011 | 93% | 98% |
| | FY 2012 | 93% | 95% |

Performance Goal 1 focuses on the number of award opportunities and the quality of the educational experience provided to scholars.

Each year, the Foundation awards approximately \$417,500 in scholarships nationally (80 scholarships of up to \$5,000 each, plus up to 50 honorable mentions of \$350 each). The scholarships are awarded to college juniors and seniors showing outstanding potential in two areas: those who intend to pursue careers related to the environment and Native Americans/Alaska Natives who intend to pursue careers related to health care or tribal policy. There have been 1,314 scholarships awarded since the program’s inception in 1996, totaling \$6.59 million in scholarship and honorable mention awards.

The Foundation began making 30 honorable mention awards in 2002 due to the extraordinarily competitive applicant pool. In FY 2004, the number of honorable mention awards increased to 50, again because of the extremely high quality of the nominees. There have been 659 honorable mention awards distributed since 2002.

The Foundation anticipates reducing the number of scholarships from 80 to 50 in FY 2013 and discontinuing monetary benefits for honorable mention awards, due to extremely low interest rates and the lack of suitable replacement investments as its investments mature.

Since 1997, the Foundation has awarded two \$24,000 fellowships each year to doctoral students entering their final year of writing their dissertations in the area of environmental policy or environmental conflict resolution. Thirty fellowships have been awarded for a total of \$720,000. The fellowship program was suspended in FY2012 due to decreased revenue.

The graphic representation of Performance Goal 1 describes annual targets and actual performance for scholarships and fellowships.

The Foundation’s goals also focus on the quality of the educational experience provided by the scholar orientation, as well as tracking the further education and career development of former scholars through an online scholar listserv.

As detailed in the graphic representation above, the Foundation met the FY 2012 annual targets for scholarships but did not meet the annual target for fellowships.

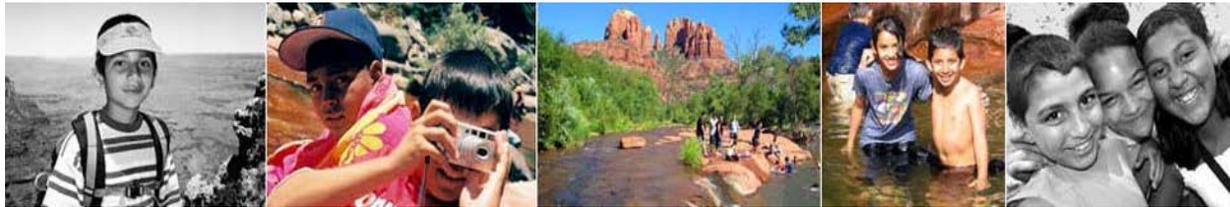
Performance Goal 2

| | Fiscal Year | Faculty | | Institutions | |
|--|-------------|---------------|--------------------|---------------|--------------------|
| | | Annual Target | Annual Performance | Annual Target | Annual Performance |
| Increase the number of higher education institutions dedicating faculty representatives to guide and advise students on Udall Scholarship opportunities. | FY 2008 | 1,100 | 1,199 | 200 | 239 |
| | FY 2009 | 1,150 | 1,127 | 225 | 233 |
| | FY 2010 | 1,200 | 1,118 | 250 | 256 |
| | FY 2011 | 1,200 | 1,094 | 300 | 303 |
| | FY 2012 | 1,200 | 1,109 | 300 | 343 |

The scholarship selection process is highly competitive; in 2012, 585 nominees competed for the 80 scholarships. These nominees represent the top one or two students from a college or university, who have survived their school’s own screening process and received their school’s recommendation for the Udall scholarship. Because all candidates must be nominated by their college or university, the Foundation emphasizes development of a strong network of faculty advisors designated by their schools as representatives for the Udall scholarship.

Although the number of faculty representatives for the scholarship has averaged 1,112 for the last four years, the number of institutions participating in the scholarship application process has increased dramatically. Significant effort has been directed toward recruiting and developing relationships with faculty representatives every year in order to maintain commitment to Foundation programs, and replace outgoing faculty. Although the number of faculty representatives was 9% below target, the number of institutions that nominated students for the scholarship increased from 303 in 2011 to 343 in 2012, a 13% increase in participating universities, and a 34% increase from 2010.

Performance Goal 3 - Parks in Focus



| Through the Parks in Focus program, increase the number of opportunities for disadvantaged youth, ages 11-13, to develop an appreciation for the environment and natural resources through the art of photography during outings in national parks and other natural areas. | Fiscal Year | Annual Target | | | Actual Performance | | |
|---|-------------|---------------|--------|----------|--------------------|--------|---|
| | | Number of | | | Number of | | |
| | Students | Trips | States | Students | Trips | States | |
| | FY 2008 | 48 | 4 | 4 | 48 | 4 | 4 |
| | FY 2009 | 48 | 4 | 4 | 70 | 7 | 5 |
| FY 2010 | 96 | 8 | 8 | 92 | 9 | 7 | |
| FY 2011 | 160 | 6 | 4 | 150 | 9 | 4 | |
| FY 2012 | 250 | 8 | 5 | 155 | 26 | 3 | |

| Increase the number of Parks in Focus students who report they received a quality educational experience in their interactions and program activities with the Foundation. | Fiscal Year | Annual Target | Actual Performance |
|--|--------------------|-------------------------------|--------------------|
| | FY 1999 to FY 2009 | New measure under development | |
| | FY 2010 | 85% | 100% |
| | FY 2011 | 85% | 100% |
| | FY 2012 | 85% | 100% |

The Parks in Focus program teaches appreciation for the natural environment through active, intensive, photography-centered excursions to national parks and other public lands. The participants, primarily 11- and 12-year-old members of the Boys & Girls Clubs -- many of whom have never before left their local communities -- are provided digital cameras to use and keep, and they learn the fundamentals of photography, ecology, and conservation while hiking, biking, and kayaking their way through national parks, monuments, wilderness areas, and other national public lands.

In FY 2011, the Foundation shifted the emphasis from a one-time, immersion trip “photo safari” model in several states, to offering more and repeated opportunities for youth to engage with nature through a new community development model in Tucson. In FY 2012, approximately 150 youth from the Boys and Girls Clubs of Tucson participated in after-school photography lessons and outdoor activities, Saturday field trips, and weekend campouts to nearby parks and scenic areas. In addition, the Foundation continued to run programs in Michigan and California through partnerships with the National Park Service and funding from the private sector.

During FY12, the Foundation established Parks in Focus Fund, Inc., a 501(c)(3) tax-exempt corporation which is structured as a support organization to help fund the Parks in Focus program. Many potential funding entities require a non-profit status in order to consider providing support; the Parks in Focus Fund has enabled the Foundation to submit proposals to such entities and receive funding.

The community development model in Tucson has become the proof of concept for other communities. It is hoped that with external funding, a community program will be established in Oklahoma City in FY13.

The community development model encourages participants to continue to seek opportunities for outdoor recreation and physical activity, boosts self-esteem, and inspires a greater appreciation for the natural world. As a result, participants report that:

- 97% are more interested in the outdoors than they were before participating in Parks in Focus;
- 97% want to continue their involvement in Parks in Focus, and would recommend the program to their friends;
- 100% expanded their knowledge of environmental sciences, such as ecology, geology, and botany;
- 97% have a better understanding of environmental stewardship and public service;
- 97% gained confidence in their skills and abilities;
- 88% are more physically active now than before Parks in Focus;

- 88% have a better understanding of what it takes to live a healthy lifestyle, including eating right, physical activity, and getting outside.

Ultimately, the Foundation aims to create a new generation of citizen stewards.

The continuation of Parks in Focus at the current level will depend on the success of fundraising efforts targeting individuals, businesses and foundations, as well as partnerships with national parks and other federal, state and local organizations.

Objective Goal 1b:

Increase educational opportunities for Native Americans and Alaska Natives in health care and tribal public policy.

A significant part of the Foundation’s mission is to provide educational resources for Native Americans and Alaska Natives related to health care and tribal public policy, with a particular focus on management and leadership training for those involved in tribal leadership, assistance and resources for policy analysis, and related activities.

Native American Congressional Internship Program

The Native American Congressional Internship Program provides quality opportunities for Native American and Alaska Native students to build their leadership skills by gaining practical experience in the federal legislative process, congressional matters, and governmental proceedings through internships at congressional offices and agencies in Washington, D.C.



Performance Goal 1

| Provide summer internship opportunities for Native American and Alaska Native students in congressional offices and agencies that provide a comprehensive legislative experience to the interns. | Fiscal Year | Annual Target | Actual Performance |
|--|-------------|---------------|----------------------------|
| | FY 2008 | 12 | 12 |
| | FY 2009 | | 12 |
| | FY 2010 | | 13 |
| | FY 2011 | | 12 |
| | FY 2012 | | 12 Awarded 11 Completed |

| Increase the percent of interns who report they received a quality educational experience through the Native American Congressional Internship Program. | Fiscal Year | Annual Target | Actual Performance |
|---|-------------|------------------|--------------------|
| | FY 2008 | 92% | 100% |
| | FY 2009 | 92% | 100% |
| | FY 2010 | 92% ⁵ | 92% |
| | FY 2011 | 92% | 100% |
| | FY 2012 | 92% | 100% |

The goal of the Foundation’s Native American and Alaska Native Congressional Internship Program is to provide the majority of interns a comprehensive legislative and quality education experience. For FY 2012, the Foundation offered 12 placements in Congressional offices and agencies, all participating interns (100%) highly rated their internship experience. The Foundation uses evaluation feedback from interns to facilitate continual learning and improvement.

The internship helps participants develop as Native professionals and future leaders in Indian country. Interns are placed in congressional offices and committees, executive branch departments, and the White House, where they are able to observe government decision-making processes firsthand by attending congressional hearings and votes. Interns attend weekly enrichment activities that offer an opportunity to meet with distinguished leaders, such as members of Congress, key federal agency officials, and staff from national Native organizations, where they engage in substantive policy discussions.

During FY 2012, the internship program components included:

- Weekly enrichment activities, which are a unique and indispensable component of the internship program. The interns met with Charles Galbraith, White House Office of Intergovernmental Affairs; Tracy Toulou, director of the Office of Tribal Justice; staff of the Senate Committee on Indian Affairs and the National Congress of American Indians;
- Weekly meetings on topics such as the legislative and budget processes and lobbying disclosure;

⁵ This performance measure is calibrated based on the number of interns (i.e., the majority of interns 11 of 12 (92%) felt they received a quality educational experience). In the Foundation’s FY 2010 performance budget, this goal was increased based on anticipated sponsorship of additional interns by the First Alaskans Institute. Funding from the First Alaskans Institute became unavailable in FY 2010, and therefore this performance measure has been recalibrated based on 12 annual interns.

- A research and presentation component. Interns researched and presented their findings on topics such as health disparities in American Indian tribal communities; salmon recovery in the Columbia River Basin; recruitment and retention in the Indian Health Service; the Boldt decision and Indian fishing rights in the Pacific Northwest; and American Indian education and federal trust responsibility.

Native Nations Institute for Leadership, Management, and Policy

The Native Nations Institute for Leadership, Management, and Policy (NNI) focuses on building the capacity of tribal leaders to manage tribal governance and nation-building efforts, develop sustainable economies, and reduce their dependence on federal funds and decision-makers through executive education and distance learning opportunities for Native American tribes.



Performance Goal 2

| | Fiscal Year | Annual Target | Actual Performance |
|---|-------------|--|--------------------|
| Increase executive education opportunities for tribal councilors and chairs to build their capacity in tribal governance and nation building. | FY 2008 | 80% of respondents report the Native Nations Institute is an important resource for them in carrying out their nation building work. | 90% |
| | FY 2009 | 80% of respondents report the Native Nations Institute is an important resource for them in carrying out their nation building work. | 90% |
| Increase the percent of respondents who report NNI is an important resource for them in carrying out their nation-building work. | FY 2010 | 82% of respondents report the Native Nations Institute is an important resource for them in carrying out their nation building work. | 94% |
| | FY 2011 | 82% of respondents report the Native Nations Institute is an important resource for them in carrying out their nation building work. | 90% |
| | FY 2012 | 82% of respondents report the Native Nations Institute is an important resource for them in carrying out their nation building work. | 89% |

Eighty nine percent (89%) of respondents attending an NNI executive education seminar or event reported that the Native Nations Institute is an important resource for them in carrying out their nation building work. As detailed in the Table 1 above, the FY 2012 performance goal for NNI was exceeded.

Highlights of NNI's work for FY 2012 include:

A total of 369 attendees representing 124 Native nations participated (note: duplicated count where individuals/tribes participated in more than one NNI seminar) in 14 executive education seminars presented by NNI. Four of these nation-building seminars were conducted for the Bush Foundation Rebuilders Program and a tribe specific seminar for the Rosebud Sioux Tribe. Six tribal specific sessions delivered to the Ysleta del Sur Pueblo, Tohono O'odham Nation, Three Affiliated Tribes, Red Lake Chippewa, Fond du Lac Band of Lake Superior Chippewa, and the White Mountain Apache Tribe were partially supported by a grant from the Bureau of Indian Affairs Office of Indian Energy and Economic Development (BIA OIEED). Additionally, NNI conducted one-day seminars for the Udall Foundation's Native American Congressional Interns in Washington, D.C., and the Udall Foundation's Scholars Orientation. NNI also sponsored the annual "open" "Emerging Leaders" seminar in March 2012, and a Constitutions seminar, held in May 2012, both held in Tucson, Arizona. (The Constitutions seminar replaced the annual open Nation Building seminar.)

The **Governance Analysis for Native Nations (GANN)** assessment tool continued to be utilized throughout FY 2012. GANN sessions included the Oneida Nation of Wisconsin, supported by the BIA OIEED grant, and three sessions for tribes located within the Bush Foundation region – Turtle Mountain Band of Chippewa Indians, Yankton Sioux Tribe, and Crow Creek Sioux Tribe. Overall a total of 132 participants from four tribes participated in GANN sessions. In August 2012, major revisions to the GANN instrument and approach were made but are yet to be finalized and implemented.

Outreach activities during this fiscal year were limited to follow-up support, via telephone and email, to several nations in the implementation of their GANN action plans, as well as presentations for the Laguna Tribal Council's retreat, and conferences such as Healing for Democracy Conference, PROMISE conference, American Indian Higher Education Consortium, National Center for Responsible Gaming Conference. Additionally, NNI and Udall Center co-hosted with others the Common Roots, Common Futures conference in Tucson in February to inform interested parties of significant developments in Indigenous self-determination, self-government, and economic development.

As a result of other program priorities, **NNI Youth Programs** were limited to the two Udall Foundation sessions listed in the executive education seminar section above.

NNI Educational Resources developed and launched two more short courses ("Constitutions" and "Justice Systems") in its "Rebuilding Native Nations: Strategies for Governance and Development" distance-learning course series, bringing to five the number of courses completed in the eight-course series. The next short course, "Leadership," is on the verge of completion with a release date of November 2012. With funding support from the U.S. Small Business Administration, a total of 110 faculty, staff and students from 25 tribal colleges and universities enrolled in the "Economic Development" short course; meanwhile, three Native nations (Oneida Nation of Wisconsin, Tohono O'odham Nation, White Mountain Apache Tribe) enrolled a total of 31 participants (consisting of elected leaders, administrators and citizens) in the different "Rebuilding Native Nations" short courses with support from the BIA OIEED. In early September 2012, after two years of development, NNI Educational Resources launched the Indigenous Governance Database (IGovDatabase.com), an online resource center for Native nation leaders, key decision-makers, employees, citizens, and others who are in search of educational and informational resources about Native nation governance, sovereignty, leadership, and sustainable economic and community development. The Database features a comprehensive

catalogue of text, video and audio resources accessible through a custom-built search engine, enabling site visitors to find a variety of resources tailored to their specific topics of interest.

The **NNI Research** unit completed its engagement with the Federal Reserve Bank of Minneapolis in the seminar series *Growing Economics in Indian Country* (June-September 2011), culminating in the forum hosted by the Board of Governors in May 2012; participation included presentations of research findings, policy applications, and recommendations for future research. It submitted interim reports for the projects "*Beyond Health Care: Community, Governance, and Culture in the Health and Wellness of Native Nations*" and "*Membertou First Nation: Managing Our Lands beyond the Indian Act*" to the projects' respective funders (the Kellogg Foundation, report filed May 2012, and the Atlantic Aboriginal Economic Development Integrated Research Program of the Atlantic Policy Congress, report filed October 2012). In collaboration with the University of Arizona Indigenous Peoples Law and Policy (IPLP) Program, it launched the Continuing Education Certificate in Indigenous Governance, and research staff taught three courses in the program's inaugural year ("*Native Governments in Action*," "*Native Nations' Constitutions*," and "*The Evidence for Indigenous Nation Building*"); the constitutions course resulted in a book manuscript, authored jointly by NNI and IPLP, which will be published by the UCLA American Indian Studies Program in 2013. It presented four papers on American Indian tribes' political, social, and economic development at academic and professional conferences between October 1, 2011 and September 30, 2012; two of these papers are now under submission to academic journals. Additionally, utilizing an additional \$80,000 raised from external research funds, they presented a master class and public lecture at University of Technology Sydney (UTS) in November 2011 concerning the findings of the joint UTS-NNI Australian Research Council project *Changing the Conversation: Reclaiming Indigenous Governance*, and delivered three community reports on the findings in spring and summer 2012.

Fundraising efforts continued throughout FY 2012 and resulted in a number of small grants to support specific activities such as those listed above. NNI received a \$20,000 grant from the Bank of America Foundation for core operations; a Bush Foundation award of \$567,375 as part of its 10-year partnership, a \$232,703.99 grant from the BIA OIEED to strengthen the governance of seven Native nations; \$30,186 grant from the San Manuel Band of Mission Indians to support a GANN session for two California tribes (not yet delivered, to be completed by May 12, 2013); and \$80,000 in research project funds from various clients (addressed under Research component). NNI entered year two of its three-year grant from the W.K. Kellogg Foundation to study the determinants of health in Native American communities.

Strategic Goal 2 (U.S. Institute for Environmental Conflict Resolution):

Resolve environmental conflicts and improve environmental decision making through mediation, training and related activities.

The U.S. Institute for Environmental Conflict Resolution was established by Congress in FY 1999 by the Environmental Policy and Conflict Resolution Act of 1998 (Public Law 105-156). The mission of the U.S. Institute is to assist in the resolution of environmental conflicts involving the federal government. To meet its mission, the U.S. Institute provides alternative dispute resolution services, also referred to as environmental conflict resolution (ECR), including preliminary consultation, conflict assessment, ECR process design and guidance, process facilitation or mediation, and case management. The U.S. Institute also designs dispute resolution systems, develops policies and principles for ECR practice, and designs and delivers training on ECR.

Collectively, these services are used to advance the work of the U.S. Institute by:

1. Providing case support services to assist federal agencies and other stakeholders to *prevent and resolve current environmental conflicts*.
2. Increasing the capacity of federal agencies and other stakeholders to *manage and resolve future environmental conflicts*.
3. Providing leadership to assist the Federal government to *develop ECR policies and practices to promote broad scale effective use of ECR and to improve environmental decision making*.

Objective Goal 2a:

Resolve environmental conflicts and improve environmental decision making by increasing the appropriate use of ECR through U.S. Institute case services.

ECR Case Highlights for FY 2012

For FY 2012, the U.S. Institute has provided **case support** for **101** conflicts and challenges, assisting an estimated **1,000 stakeholders** nationwide.

Advancing Economic, Social, and Environmental Goals

Increasingly the U.S. Institute is being called upon to enhance interagency coordination and collaboration with the public on nationally and regionally significant federal projects. Environmental collaboration and conflict resolution strategies are key tools that federal departments and agencies use to make more informed, timely, and workable decisions about public lands, natural resources and the environment. Federal agencies draw on the services of the U.S. Institute because of its neutrality and staffing capacity to lead complex, contentious, multi-stakeholder problem-solving efforts. Examples of current U.S. Institute work include:



Reducing Delays on Energy Projects through Interagency Coordination

The U.S. Institute completed a project that helped the EPA and BLM resolve issues that had slowed energy development on federal lands. Success in this project translates into streamlined decision-making that better serves national economic and energy goals.



Decreasing the Cost of Land Management

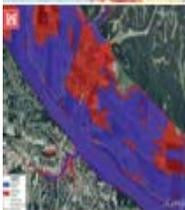
Multiple efforts to update the national Forest Service Planning Rule were blocked for years by legal challenges. In 2009, Agriculture Secretary Tom Vilsack called for development of a new rule, and the U.S. Institute was asked to help develop and implement a comprehensive collaboration strategy to engage stakeholders. Ultimately, over 40 public meetings and roundtables engaged more than 3,000 participants. The final programmatic EIS was issued early in 2012 and the final rule was published in the Federal Register on April 9, 2012. As Secretary Vilsack said, the new rule is intended to move beyond the era of litigation. Time-consuming appeals and litigation not only increase the cost of land management, but also limit opportunities for effectively managing forest resources and uses.



Implementing National Ocean Policy Goals with Public and Private Funds

Supported by funds from the Moore Foundation, the U.S. Institute is working with 27 federal agencies and supporting stakeholder and tribal engagement as part of the National Ocean Council's implementation of Coastal and Marine Spatial Planning, under Executive Order 13547, Stewardship of the Ocean, Our Coasts, and the Great Lakes. This is an example of public and private-sector efforts and resources jointly directed toward a common goal.





Enabling More Informed Federal Decisions Affecting Lives and Livelihoods

The Missouri River drains one-sixth of the United States. Many lives and livelihoods are linked to the river, including farmers; waterway industries such as navigation; hydro, and thermal power; and outdoor recreationists. The basin is also home to 28 American Indian tribes. The U.S. Institute provides impartial facilitation support to the 70-member Missouri River Recovery Implementation Committee (MRRIC), which provides consensus-based recommendations and guidance to the U.S. Army Corps of Engineers and U.S. Fish and Wildlife Service, the two agencies tasked with implementing the existing Missouri River Recovery and Mitigation Plan. The MRRIC was authorized by Section 5018 of the 2007 Water Resources Development Act.

Connecting Federal Landscape Initiatives to Leverage Resources

The U.S. Institute is providing collaboration and conflict resolution services in connection with the Department of Interior’s efforts to coordinate 22 Landscape Conservation Cooperatives (LCCs) across the United States. The LCCs will develop “landscape-scale” or ecosystem level strategies for understanding and responding to impacts from climate change and other landscape scale stressors, providing tools to managers to identify and target biological objectives for native species and habitats across jurisdictions in the face of current challenges. As an outgrowth of this project, the U.S. Institute is also assisting multiple agencies that want to share information on similar landscape-scale initiatives and find ways to enhance coordination and leverage limited resources.

Developing Federal Tribal Policy that Emphasizes Trust, Respect and Shared Responsibility

In December 2011, Secretary of the Interior, Ken Salazar, and Assistant Secretary-Indian Affairs, Larry Echo Hawk, announced a Tribal Consultation Policy for the U.S. Department of the Interior (DOI). The new policy emphasizes trust, respect, and shared responsibility in providing tribal governments an expanded role in informing federal policy that impacts Indian country. The U.S. Institute worked in conjunction with DOI’s Office of Collaborative Action and Dispute Resolution to help develop this policy in close coordination with tribal leaders around the nation and representatives of the DOI bureaus. In 2011-2012, the U.S. Institute worked with DOI and Alaska Native communities and corporations to develop a supplement to the policy that is responsive to the unique aspects of Alaska. In the words of Secretary Salazar, the framework announced on August 10, 2012 “ensures meaningful consultation so that corporation officials are at the table and engaged when it comes to the matters that affect them.”

Case Consultation and Management Services

Environmental issues, particularly complex multiparty conflicts, can be challenging to resolve. Case consultation and management reflects a continuum of services, from early case diagnostic assistance to comprehensive case management, designed to enable federal agencies and other affected stakeholders to effectively engage in ECR.

Performance Goal 1

| Resolve environmental conflicts and improve environmental decision making <i>by increasing the case consultation and management services provided to stakeholders seeking the resolution of conflicts through the appropriate use of ECR.</i> | Fiscal Year | Annual Target | Actual Performance |
|---|-------------|---------------|--------------------|
| | FY 2008 | 80 | 82 |
| | FY 2009 | 80 | 88 |
| | FY 2010 | 90 | 92 |
| | FY 2011 | 100 | 102 |
| | FY 2012 | 100 | 101 |

The U.S. Institute exceeded its FY 2012 annual performance goal by providing 101 instances of case consultation and management services. These services include early advice, consultation and convening services that are necessary to begin a conflict resolution process but are generally not reimbursable.

The U.S. Institute is an important resource for federal agencies and other affected stakeholders considering ECR. For example, the agencies making considerable use of ECR across the federal government, such as EPA, DOD, DOI, and Forest Service, frequently request U.S. Institute consultation assistance. Similarly, the 2005 and 2012 Joint OMB and CEQ policy memoranda on environmental collaboration and conflict resolution encourage federal agencies to draw on the services of the U.S. Institute to help review strategies for increasing the appropriate use of ECR.

National Roster – ECR Practitioner Referral Services

ECR practitioners with appropriate experience can be efficiently identified to work on environmental conflicts. The U.S. Institute's National Roster of Environmental Dispute Resolution Practitioners, now publicly accessible online, and Native Dispute Resolution Network empower all stakeholders to identify qualified mediators or facilitators to assist with their environmental conflict or issue.

Performance Goal 2

| Resolve environmental conflicts and improve environmental decision making <i>by increasing the percent of those using ECR practitioner referral services who report the roster was a valuable resource for identifying qualified mediators/facilitators to assist them in solving their environmental or natural resource issues.</i> | Fiscal Year | Annual Target | Actual Performance |
|---|-------------|---------------|--------------------|
| | FY 2008 | 92% | 97% |
| | FY 2009 | 93% | 94% |
| | FY 2010 | 93% | 91% |
| | FY 2011 | 93% | 86% |
| | FY 2012 | 93% | 85% |

The U.S. Institute’s referral services are available online through a searchable database of practitioner profiles. In addition, personalized referral services are also available from U.S. Institute staff. The personalized service includes referrals from the Native Dispute Resolution Network, a resource for identifying practitioners to assist in resolving environmental disputes that involve Native people.

During FY 2012, more than 1,600 customized searches were conducted using the roster. Of the FY 2012 searchers who have provided evaluative feedback, 85% felt the roster was a valuable resource for identifying practitioners, eight percentage points below the FY 2012 performance goal.

To improve performance, the U.S. Institute submitted a revised information collection request (ICR) to OMB in late June 2012. The ICR revisions are designed to improve the quality and format of the data collected so that the roster search engine and related information products are more informative and valuable to users. The system improvements will also strengthen the process for collecting evaluative feedback both for reporting purposes and to promote future system improvements. The U.S. Institute anticipates that system improvements will be implemented by mid FY 2013.

Case Assessment Services

Assessments promote the effective use of resources to resolve conflicts. Resources (time and money) are scarce for agencies and other affected stakeholders involved in environmental conflicts. Assessments help stakeholders determine (a) if a collaborative approach is a viable option for solving their problem or resolving their conflict, and (b) how best to proceed with collaboration, if appropriate.

Performance Goal 3

| Resolve environmental conflicts and improve environmental decision making <i>by increasing the percent of assessments for which the majority of stakeholders strongly agree that the U.S. Institute helped them determine how best to proceed to resolve their conflict.</i> | Fiscal Year | Annual Target | Actual Performance |
|--|-------------|---------------|--------------------|
| | FY 2008 | 87% | 100% |
| | FY 2009 | 88% | 100% |
| | FY 2010 | 88% | 86% |
| | FY 2011 | 88% | 100% |
| | FY 2012 | 88% | 80% |

For FY 2012, the U.S. Institute was asked to provide assessment services on thirteen of the cases and projects in which it is involved. Ten of the thirteen assessments were completed in FY 2012 and the remainder will continue in FY 2013.

Evaluation feedback indicates that the U.S. Institute is eight percentage points below target for FY 2012 assessment services. This metric is based on evaluation feedback received to date on five of the ten assessments completed during FY 2012. The U.S. Institute anticipates stronger performance against target once evaluation feedback is received for all FY 2012 assessment services. The evaluation feedback received will be used to assess where services met or exceeded expectations and where improvements need to be made.

Mediation and Facilitation Services

Environmental issues, if not dealt with effectively, are often divisive, protracted, and costly to resolve. Collaborative planning, rulemaking, and assisted negotiation are examples of areas where ECR can engage, inform, and proactively or reactively deal with problems, producing productive working relationships and results that solve conflicts now and help manage issues in the future.

Performance Goal 4

| Resolve environmental conflicts and improve environmental decision making by increasing the percent of mediations/facilitations for which the majority of responding stakeholders report full or partial agreement was reached or progress was made toward addressing the issues or resolving the conflict. ⁶ | Fiscal Year | Annual Target | Actual Performance |
|--|-------------|---------------|--------------------|
| | FY 2008 | 90% | 89% |
| | FY 2009 | 91% | 92% |
| | FY 2010 | 91% | 94% |
| | FY 2011 | 91% | 92% |
| | FY 2012 | 91% | 100% |

For FY 2012, the U.S. Institute assisted with 47 mediations and facilitations. Of the 47 processes, 12 were completed and the remainder will continue in FY 2013. The Institute provides these services directly or through its contracted private sector practitioners. Evaluation feedback received to date indicates the U.S. Institute exceeded its FY 2012 performance target.

⁶ Agreements include any written or unwritten agreement reached by participants in the process, including plans, proposals, recommendations, procedures, and settlements.

Objective Goal 2b:

Resolve environmental conflicts and improve environmental decision making *by increasing the capacity of agencies and other affected stakeholders and practitioners to manage and resolve conflicts through the appropriate use of ECR.*

Program Highlights for FY 2012

Each year the U.S. Institute provides ECR training and program support services at the request of federal agencies and other stakeholders. The training and program support services are designed to build skills and institutional capacity to help prevent, manage and resolve environmental conflicts. Examples of FY 2012 trainings include:

Collaboration workshops for environmental leaders and professionals were delivered at the National Park Service at Cavallo Point, San Francisco, California.

Participants included representatives of the: Air Force, Army, Navy, DOE, DOI (BIA, BOR, CADR, NPS, ONRR, SOL), USDA Forest Service, NGOs such as Ecological Restoration Institute, Golden Gate National Parks Conservancy, Grand Canyon Trust, Institute at the Golden Gate, Sustainable Conservation and The Wilderness Society, Pacific Gas & Electric, Australia's Hunter New England Population Health, a Landscape Architect, and Stanford University.

Collaboration in NEPA and multi-party negotiation trainings were delivered at the Denver Federal Center, hosted by the Colorado Executive Board.

Participants included representatives of the: U.S. Army Corps of Engineers, DOE, DOI (NPS, OSMRE), EPA, FEMA, GAO, USDA Forest Service, the University of Denver, DJ Case and Associates, ECO-resolutions, LLC, EnviroTech, Inc., Ide Law & Strategy, PLLC, SAIC – Energy, Environment & Infrastructure Solutions, and Western Cultural Resource Management, Inc.

Conflict management, facilitation fundamentals and negotiation training courses were delivered in Phoenix, Arizona at the Bureau of Land Management's National Training Center.

Participants included representatives of: DOE, DOI (BLM, NPS, OFA), DOT/FHWA, State of Alaska, United Nations, Business for Social Responsibility, Freeport-McMoRan Bagdad, Inc., Texas State University, Washington University, and consultants Anchor QEA, ECO-resolutions, LLC, Freeland Cooper & Foreman LLP, Integrated Water Solutions LLC, Native American Consulting LLC, Southwest Decision Resources, and Western Cultural Resource Management, Inc.

Build Institutional Capacity within the Federal Government

Performance Goal 1

| Resolve environmental conflicts and improve environmental decision making <i>by increasing the percent of federal agency representatives who report the programmatic support (systems design and program development work) provided by the U.S. Institute has improved the effectiveness of their ECR efforts.</i> | Fiscal Year | Annual Target | Actual Performance |
|--|-------------|---------------|--------------------|
| | FY 2008 | 90% | 100% |
| | FY 2009 | 90% | 100% |
| | FY 2010 | 91% | 100% |
| | FY 2011 | 91% | 100% |
| | FY 2012 | 91% | 100% |

Programmatic support includes assistance with designing, implementing, and/or refining federal ECR programs, systems for handling administrative disputes, or approaches for managing environmental decision making (e.g., with NEPA processes). Each year the U.S. Institute provides a limited number of programmatic support services. Evaluation feedback received to date indicates the services provided by the U.S. Institute helped the requesting agencies improve the effectiveness of their ECR initiatives.

Performance Goal 2

| Resolve environmental conflicts and improve environmental decision making <i>by increasing the percent of participants who experience an ECR training and report what they take away from the training will have a very positive impact on their effectiveness in the future.</i> | Fiscal Year | Annual Target | Actual Performance |
|---|-------------|---------------|--------------------|
| | FY 2008 | 86% | 88% |
| | FY 2009 | 87% | 87% |
| | FY 2010 | 87% | 94% |
| | FY 2011 | 87% | 92% |
| | FY 2012 | 87% | 95% |

During FY 2012, the U.S. Institute continued to develop and deliver training designed to help federal agencies and other affected stakeholders prevent, manage and resolve environmental conflicts. The U.S. Institute evaluates all sessions of three hours or more. Evaluation feedback on the FY 2012 sessions indicates the U.S. Institute exceeded its performance target.

Objective Goal 2c:

Resolve environmental conflicts and improve environmental decision making by providing leadership to guide ECR practice and policy development within the federal government.

Performance Goal 1

| | Fiscal Year | Annual Target | Actual Performance |
|--|-------------|---------------|--------------------|
| Resolve environmental conflicts and improve environmental decision making by maintaining the number of federal ECR leadership initiatives assisted through the U.S. Institute. | FY 2008 | 4 | 4 |
| | FY 2009 | 4 | 4 |
| | FY 2010 | 5 | 5 |
| | FY 2011 | 6 | 6 |
| | FY 2012 | 6 | 6 |

As targeted, the U.S. Institute supported six initiatives during FY 2012. These included:

Implementation of Federal ECR Policies

Joint OMB and CEQ Memorandum on Environmental Conflict Resolution

The U.S. Institute worked with OMB and CEQ on the release of the September 7, 2012 Memorandum on Environmental Collaboration and Conflict Resolution.

The new memorandum supersedes the November 28, 2005 Memorandum on Environmental Conflict Resolution. The new memorandum encourages appropriate and effective upfront environmental collaboration to minimize or prevent conflict and strengthen the focus on environmental conflict resolution.

The U.S. Institute is tasked by OMB and CEQ with assisting federal departments and agencies with implementation of this policy guidance. During FY 2012, the U.S. Institute:

- convened quarterly forums for agency ECR Points of Contact;
- helped the reporting departments and agencies work collaboratively to draft an overview of the ECR work undertaken across the federal government during FY 2011; and
- worked with OMB and CEQ to help revise the reporting template for future years.

The twelve reporting agency's individual reports and the synthesis reports are available online at: <http://www.ecr.gov/Resources/FederalECRPolicy/AnnualECRReport.aspx>.

Executive Order on Improving Performance for Federal Permitting and Review of Infrastructure Projects

In response to President Obama's Executive Order on Improving Performance for Federal Permitting and Review of Infrastructure Projects, OMB convened an Interagency Steering Committee at the Deputy Secretary level, and an interagency Working Group at the staff level to develop a federal implementation plan for the Executive Order. The U.S. Institute was named to both the Steering Committee and the Working Group. The inclusion of the U.S. Institute is in recognition of the importance of collaboration and stakeholder engagement in improving the

National Environmental Policy Act (NEPA) and Endangered Species Act (ESA) permitting processes.

The Steering Committee developed and published a federal plan to improve the performance of federal permitting along with a list of 50 projects of national or regional significance. The federal plan is available at:

http://permits.performance.gov/sites/all/themes/permits2/files/federal_plan.pdf.

The U.S. Institute is tasked with:

Implementing a process for surveying project sponsors, stakeholders, and agency personnel to measure the effectiveness of integrated planning and early engagement practices for nationally or regionally significant projects, and to identify new opportunities for continuous improvement.

To implement the action, the U.S. Institute will undertake an assessment of the impacts of collaboration on the performance of federal permitting and review processes. A project plan will be submitted to OMB in December 2012, and the work will take place over the course of FY 2013 and FY 2014.

Native Dispute Resolution Network and Skills Exchange Workshops

During FY 2012, the U.S. Institute continued to support the Native Dispute Resolution Network. The Native Network, created in 2004, is a resource for federal agencies and individuals seeking assistance from a conflict resolution practitioner where Native people and environmental, natural resource or public/trust lands, cultural property, or sacred site issues are involved.

Network members include American Indian, Alaska Native, Native Hawaiian, and other practitioners with experience working to address conflicts in Indian country. The Native Network is an ongoing federal effort focused on expanding culturally appropriate and effective collaboration and conflict resolution for issues involving Native Americans. It is also the only centralized source of Native and non-Native dispute resolution professionals to assist in these situations. The William and Flora Hewlett Foundation helped underwrite the initial costs of establishing the Native Network.

During FY 2012, the U.S. Institute continued to coordinate the Native Dispute Resolution Network, and to assist the dispute resolution field in developing resources and expertise for addressing issues impacting Indian country.

National ECR Conference Program

The U.S. Institute, in partnership with several federal agencies, hosted the seventh national ECR Conference on May 22-24, 2012.

ECR2012 was a three-day event filled with training workshops, plenary discussions, technology fair exhibits, panel sessions and presentations across four conference tracks:

- Track I: Tribal Consultation and ECR
- Track II: Collaborating at New and Larger Scales
- Track III: Building Institutional and Practitioner Capacity for ECR
- Track IV: ECR in the Context of Litigation

In addition, four cross-cutting, special subject areas were highlighted as part of the ECR2012 program: Renewable Energy, the Economics of ECR, Environmental Justice, and Innovative Uses of Technology in ECR Processes.

The conference was attended by close to 300 participants representing federal, tribal, state and local governments; NGOs; tribal nations; community-based groups; environmental groups; businesses; resource managers and users; and professionals in the conflict resolution, mediation and consensus-building fields.

Advancing Technology-Enhanced ECR

Many of the emerging environmental challenges facing the nation are complex, landscape-scale, multi-jurisdictional issues. Effectively dealing with these challenges will require technology-enhanced ECR services to aid in the collaborative synthesis and dissemination of information, and to create opportunities for effective stakeholder participation in problem-solving processes.

In FY 2012, the U.S. Institute increased its efforts to enhance the effectiveness and efficiency of ECR processes through the use of collaboration technologies. The project examples showcase efforts that are responsive to the May 11, 2012 OMB Memorandum on Promoting Efficient Spending to Support Agency Operations (M-12-12), and the June 6, 2012, Memorandum on Science and Technology Priorities for the FY2014 Budget (M-12-15).

- For a USDA Forest Service travel management planning process, the U.S. Institute used an online collaborative tool to enhance public input. The tool allowed participants to share their views, review and comment on the input of other stakeholders, and engage in the identification of priorities to assist with travel management decision-making. Feedback on the use of technology was very positive.
- For a national-level Landscape Conservation Cooperatives (LCC) Workshop, the U.S. Institute enabled remote participation for a large geographically dispersed group of participants. The tools allowed in-person and virtual participants to converse, share ideas, and participate in the strategic discussions.
- To further increase capacity for technology-enhanced ECR, the U.S. Institute feature tools over a range of categories, including GIS, social media, decision support, visualization, monitoring/evaluation, and project management as part of its biennial ECR conference series.

Regional Forums

Regional Environmental Forums (REFs) are a mechanism to pursue collaborative solutions to environmental and natural resources issues, by linking various levels of government both vertically and horizontally in collaborative problem solving processes. The REFs engage representatives from federal, tribal, state, and local governments in collaborative problem solving. The Regional Forums are designed to encourage collaborative action in order to avoid conflict.

Policy Dialogues

As part of its leadership services, the U.S. Institute is available to assist with the facilitation of interagency dialogues.

During FY 2012, an interagency Landscape-scale Conservation Dialogue was initiated to assess opportunities and challenges related to better integrating and leveraging investments in landscape-scale conservation programs and initiatives across natural resource agencies.

Environmental Conflict Resolution: Means/Strategies and Evaluation

Means and Strategies

Practitioner Referral Services – The U.S. Institute’s small professional staff accomplishes much of its work through partnering and subcontracting with private-sector mediators who have substantial experience in environmental conflict resolution and have qualified for the National Roster for ECR Practitioners, a roster developed and maintained by the U.S. Institute. The Roster provides a central source where appropriate experienced environmental mediators, facilitators, consensus builders, process designers, conflict assessors, system designers, neutral evaluators/fact finders, Superfund allocators, and regulatory negotiation neutrals can be identified.

Interagency Service Agreements – Through interagency service agreements (IAGs), the U.S. Institute provides mechanisms for agencies (e.g., Federal Highway Administration, U.S. Environmental Protection Agency, and Department of Interior’s Office of Collaborative Action and Dispute Resolution) to have access to the full range of ECR services

Evaluation – Validation and Verification

In FY 2002, FY 2005, FY2008, and again in FY 2012, the U.S. Institute received OMB approval to administer a suite of evaluation questionnaires to measure, report, and improve conflict resolution services.

The U.S. Institute has worked in partnership with several state and federal agencies to collaboratively develop the evaluation system. As part of this partnership, the U.S. Institute requested OMB permission to administer evaluation instruments on behalf of agencies that either do not have the internal capacity to administer their own instruments, or are seeking evaluation assistance while in the process of launching their own internal evaluation systems.

The FY 2012 performance evaluation information included in this report was collected from members of the public and agency representatives who were participants in, and users of, U.S. Institute services.

Independent Auditor's Reports and Financial Statements