

Measuring the Benefits of the Collaborative Forest Landscape Restoration Program for Local Communities in Northeast Washington FY2012-2015

Prepared by:

Chelsea P. McIver
Bureau of Business and Economic Research
University of Montana

Prepared for:

USDA Forest Service
Colville National Forest



ABOUT THE AUTHOR

Chelsea P. McIver is a research specialist in the Forest Industry Research Program at the Bureau of Business and Economic Research, University of Montana.

ABOUT THE FOREST INDUSTRY RESEARCH PROGRAM

The Forest Industry Research Program is located in the Bureau of Business and Economic Research at the University of Montana. The program's work spans the western United States monitoring forest products operations and the industry's size, diversity, and economic impacts.

ACKNOWLEDGEMENTS

This study was made possible by funding from the USDA Forest Service, Colville National Forest (#15-CR-11062100-013) through the Collaborative Forest Landscape Restoration Program. Many thanks to members of the NEW Forest Vision Monitoring Committee for this opportunity and the numerous Forest Service employees for their patience and help in gathering the data needed for this project. I would especially like to thank Karen Honeycutt, Charley McKetta, Kate Marcille and Tom DeMeo for their help throughout the process and/or insightful review of the final report.

Photos courtesy of J. Foster Fanning Photography (cover), Erica Edgley-Olson (pages 1, 5) and Traci Sylte (page 11).

For more information, contact:

Forest Industry Research Program
Bureau of Business and Economic Research
Gallagher Business Building, Suite 231
Missoula, MT 59812
(406) 243-5113
www.bber.umt.edu/fir



EXECUTIVE SUMMARY

The Bureau of Business and Economic Research (BBER) at the University of Montana was contracted to conduct a study on the utilization of local contractors by the Colville National Forest through the NEW Forest Vision 2020 Collaborative Forest Landscape Restoration Program (CFLRP) project. The purpose of the study aimed to identify and measure the opportunities and benefits the NEW Forest Vision 2020 CFLRP project is bringing to communities in the region. The BBER used records of service contracts, timber sale contracts and agreements to characterize the number of local entities (businesses, nonprofits, agencies) involved in meeting the restoration objectives of the CFLRP through the NEW Forest Vision 2020.

The study found that between fiscal years 2012 and 2015 the CFLRP resulted in the investment of over \$4 million dollars via service contracts, the sale of roughly 140 million board feet, and partnerships with seven organizations including two state agencies, three universities and two non-profits. While these activities are significant and may not have occurred without the program, the benefits received by local communities have been mixed.

Service contract records suggest the program has not had the intended impact of increasing the share of restoration investments reaching local communities and economies. CFLRP spending represented between 31% and 58% of annual restoration spending on the Colville National Forest between 2012 and 2015, and the share of contracts and contract dollars going to local businesses was greater for non-CFLRP contracts than CFLRP contracts (20% versus 17% on average).

The greatest gains came from stewardship contracts, for which 41% of contracts let through the CFLRP went to local businesses, compared to only 22% for all non-CFLRP stewardship contracts. Out-of-state businesses consistently garnered the majority of restoration contract value, accounting for between 55% and 63% of total restoration contract dollars.

On the other hand, all of the timber volume sold through the CFLRP was purchased by local mills in Colville and Kettle Falls. Of the nearly 140 million board feet (MMBF) sold, all was sold utilizing stewardship timber contracts allowing the forest to retain the value from the timber and reinvest it in further restoration activities.

The timber receipts for these 10 sales were valued at \$13.7 million dollars. In addition to the revenue generated, these mills likely worked with local logging and forestry companies to conduct the suite of timber harvest and restoration activities included in the integrated stewardship contracts creating additional local benefits.

Finally, the study found that the Forest Service used partnership agreements to engage a variety of non-federal entities and leveraged federal dollars to accomplish restoration in the NEW Forest Vision 2020 project area. These partners all brought additional cash and in-kind resources to the table and included state agencies, universities and regional or national nonprofits. Partnerships with state agencies were likely for the purposes of meeting ecological objectives, universities were mostly engaged to meet project and collaborative monitoring objectives, and nonprofits were used to accomplish work on the ground through youth corps and national organizations interested in wildlife habitat. Only one of the partners engaged was local to the impact area.

A number of strategies and suggestions for further leveraging public investments in restoration and promoting the positive impact of CFLRP for local communities are described in the recommendations section.

Suggestions include: increasing the use of stewardship contracting, leveraging new authorities related to best value criteria, closing the gap in Small Business Administration contract set-asides — specifically through the HUB Zone and 8(a) programs, and engaging with local nonprofits, tribes and/or economic development organizations, to offer training and build local capacity to conduct work on federal lands.

INTRODUCTION AND PURPOSE

In 2009, Congress passed the Forest Landscape Restoration Act, which established the Collaborative Forest Landscape Restoration Program (CFLRP) with the purpose of promoting “the collaborative, science-based ecosystem restoration of priority forest landscapes through a process that encourages ecological, economic and social sustainability” (Pub. L. 111-11, Sec 4001).

The Act goes on to state that a successful proposal will “benefit local economies by providing local employment or training opportunities through contracts, grants, or agreements”. The CFLRP, administered by the USDA Forest Service (Forest Service), provides a unique opportunity for communities to work collaboratively with the Forest Service to prioritize and implement projects that meet the goals defined in the Act (Shultz, Jedd, and Beam 2012).

In 2012, the Northeast Washington Forestry Coalition (NEWFC) in Washington State was successful in securing funding for their NEW Forest Vision 2020 landscape restoration project, providing an opportunity to measure the impact of restoration investments on local businesses, communities and economies.

The purpose of this study is to quantify and describe local business and organizational participation in the NEW Forest Vision 2020 project and compare the results with non-CFLRP project trends. The results of this study will help guide the development of restoration opportunities that accomplish both forest health and community benefit objectives.

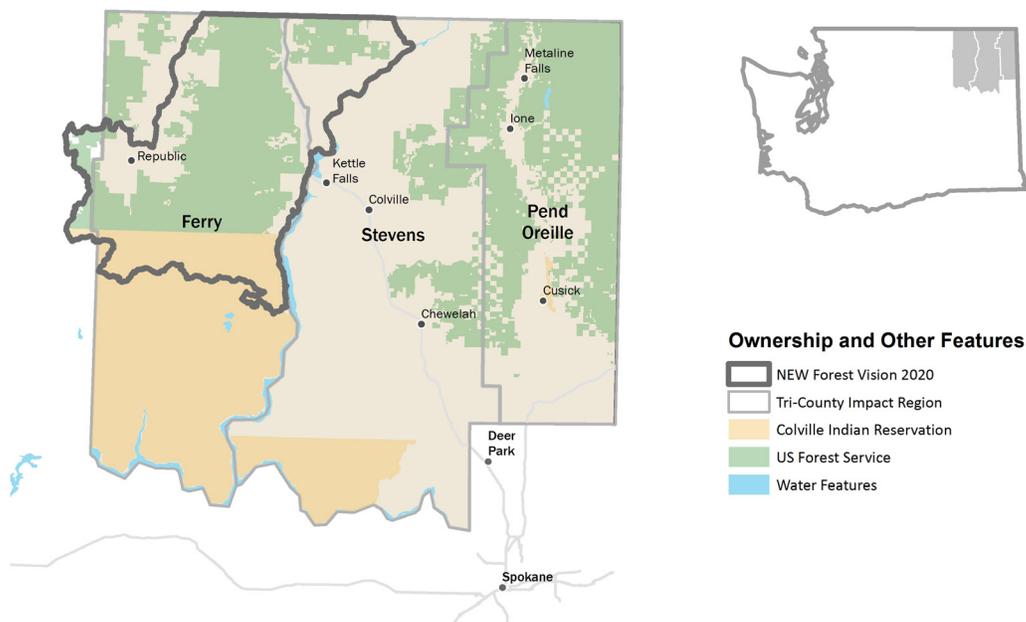
IMPORTANCE OF THIS STUDY

Restoration and maintenance of forests and watersheds is increasingly a focus of public land management and, in addition to traditional forest management activities, has the potential to contribute to the economic and social well-being of local, forest-dependent communities. However, previous studies have shown that the extent to which local communities benefit from restoration and management activities is highly variable.

The Collaborative Forest Landscape Restoration Program (CFLRP) provides a unique opportunity to understand the community and economic benefits of a 10-year committed investment in restoration, combined with monitoring and adaptive management, to evaluate what is working and where opportunities exist to increase the share of benefits captured by local communities.

The NEW Forest Vision 2020 project in northeast Washington encompasses approximately 1 million acres, dominated by the Colville National Forest and Colville Indian Reservation and centers on the diverse forests of the Kettle River Range. The project aims to improve watershed conditions, maintain, improve and decommission forest roads, replace culverts to improve fish passage, treat forested areas in the Wildland Urban Interface to protect private property and restore natural fire regimes, treat noxious weeds, improve recreation areas and access, and create jobs and economic opportunity for communities in the region.

Figure 1. New Forest Vision 2020 Project and Impact Areas.



SOCIO-ECONOMIC CONTEXT

The impact area for the NEW Forest Vision 2020 project includes Ferry, Stevens and Pend Oreille counties (see fig. 1). As documented in the forthcoming report from Forest Econ, Inc. (Green, Green, and McKetta 2015), economic activity in the region is heavily concentrated in the Colville-Kettle Falls trade center in Stevens County.

The economy is still largely driven by natural resources in the form of logging, wood products manufacturing and recreation-based activity. As timber harvest levels on national forests in Washington have declined over the last three decades, jobs associated with the removal, transport and processing of timber have also declined.

These impacts have been especially hard for communities dependent upon federal land management, such as those in the NEW Forest Vision 2020 impact area. Unemployment in Ferry and Pend Oreille counties are the highest in the state at 8.8% and 7.8%, respectively. Stevens County unemployment is not far behind at 6.8% (Washington State Employment Security Division 2015).

Factors that can influence the ability of local businesses to capture federal contract opportunities include a number of programs administered by the Small Business Administration (SBA). Since the enactment of the Small Business Act in 1953, the federal government has sought to ensure that a “fair proportion” of federal purchases and contracts go to small businesses (Clark, Moutray, and Saade 2006). This has been accomplished through setting aside a mandated proportion of contracts for competition only among small businesses.

In addition, the SBA 8(a) program and the historically under-utilized business (HUB) zone program require the Forest Service and other federal agencies to set aside contracts for qualified businesses who may be socially, economically, or geographically disadvantaged.

In addition, under these two programs, the federal government can also provide sole source opportunities and price evaluation preferences. Owners of businesses that are members of socially disadvantaged groups qualify under the 8(a) program and contractors located in areas of low median household income or high unemployment (or both), such as rural counties, Indian reservations, and selected urban census blocks can qualify under the HUB zone program (Moseley and Toth 2004; US Small Business Administration). There are also a number of small business set-asides that apply to women-owned, veteran-owned and emerging small businesses.

Because these programs favor small and potentially rural businesses, they are of particular interest to the study of federal contracting in rural forest-dependent communities.

Many of the forested counties in the inland Northwest region including northeastern Washington, north and

central Idaho and northwest Montana, struggle with high unemployment and low wages as evidenced by the high proportion of HUB Zone designated counties.

In northeast Washington in particular, Ferry County is a designated HUB Zone county due to high unemployment. Pend Oreille and Stevens counties are also designated HUB Zone counties, although their designations are set to expire in 2018.

In addition, the Colville Indian Reservation is a designated HUB Zone, as are all Indian Reservations. Two adjacent Idaho counties, Bonner and Boundary, are also designated HUB Zones, which may increase competition with businesses located in the impact area.

PURPOSE OF STUDY

The purpose of this study is to understand the extent to which local contractors, organizations and manufacturers in the tri-county region are benefiting from CFLRP opportunities and identify opportunities for achieving greater impact. This is accomplished by measuring the rate of local contractor participation in the NEW Forest Vision 2020 CFLRP project and comparing these rates to similar restoration activities occurring in the tri-county impact area. The results of this study will help to identify whether additional steps are needed to improve the retention of CFLRP funds in local communities to accomplish forest health and community benefit objectives. In addition, demonstrating that local economies are benefiting from the CFLRP is important for maintaining and augmenting local and national support for subsequent program funding.

AUTHORITY FOR LOCAL PREFERENCE & DEFINING LOCAL

While legislation requiring the Forest Service to consider local benefit when planning for and conducting many restoration and maintenance activities is not new (Jolley, Kusel and Hann 2016), specific authorities relevant to the CFLR program can be found in Stewardship legislation and the Consolidated Appropriations Act of 2012.

Section 63.1 of the 2014 USFS Stewardship Handbook states:

The Contracting Officer shall award all stewardship contracts on a best value basis, including consideration of criteria other than cost or price. The following non-price criteria are suggested criteria to use for evaluation in all stewardship contracts:

1. *Utilization of local workforce. The types of jobs and number of workers to be hired and/or employed from the defined local area in completing required work.*

2. *Capability and Past Performance. Include experience of key personnel and plans for subcontracting. Describe recent past experience with similar contracts.*

Further, section 61.13 of the Handbook instructs the line officers to include feedback from collaborative stakeholders in the determination of local:

61.13 - Identifying Local Community

The identification of what constitutes a local community is pertinent both to collaboration and to evaluation of submitted stewardship proposals. The parameters of local community must be defined for each stewardship project and used consistently across all contracts and/or agreements used to accomplish the goals of the project. The definition of local varies significantly depending on the unique and varying scope of each stewardship project. It is generally not a function of NFS administrative boundaries. The definition must be considered in relation to the effect it would have on local and rural resource availability, geographical reasonableness, and the location of work under the stewardship contract or agreement.

Local Line Officers shall, based on consultation with appropriate sources, make the determination of local community. Unit Acquisition Management staffs routinely define local for procurement purposes using the Federal Acquisition Regulation as a guide and, therefore, can assist in determining the definition for stewardship contracting projects during the early stages of project development. Feedback from collaboration should also be considered in the determination of local community.

Similar language was included under Title IV General Provisions of the Consolidated Appropriations Act of 2014 (PL 112-74) extending the use of local preference to all procurement instruments:

...notwithstanding Federal Government procurement and contracting laws, the Secretary of Agriculture and the Secretary of Interior (the "Secretaries") may, in evaluating bids and proposals, through fiscal year 2017, give consideration to local contractors who are from, and who provide employment and training for, dislocated and displaced workers in an economically disadvantaged rural community...Provided further, that the contract, grant, or cooperative agreement is for forest hazardous fuels reduction, watershed or water quality monitoring or restoration, wildlife or fish population monitoring, road decommissioning, trail maintenance or improvement, or

habitat restoration or management.

As Jolley, Kusel and Hann (2016) point out in their recent study of USFS collaboratives and local benefit, there is a lack of clear direction from within the agency as to when and how to use local preference criteria and how to appropriately define who is "local."

It should also be noted that local preference provisions are not designed to be a guarantee, but rather the authority for contracting officers to use when choosing between a local and a non-local bidder that are equally qualified to do the work.

DEFINING LOCAL FOR THIS STUDY

Local contractors and organizations were defined as those with business addresses in the tri-county impact area of Ferry, Pend Oreille and Stevens Counties. This delineation was selected in order to be consistent and compare results with similar studies and internal Forest Service estimates of economic impacts included as part of their mandatory annual reporting requirements.

By comparison, stewardship contract solicitations offered through the CFLR program have utilized a three-tiered approach, whereby bidders from and/or benefiting Stevens County receive the most points, followed by bidders from and/or benefiting Pend Oreille or Ferry Counties, and the least number of points were given to bidders from and/or benefiting other areas of Washington State.

In addition, leakage of benefits out of the local area were also quantified based on three tiers: leakage to businesses in adjacent counties, leakage to businesses in other parts of Washington State and leakage to businesses in other states.

MEASURING THE IMPACT OF CFLRP

SERVICE CONTRACTING

Annual contract expenditures for restoration are dependent upon federal appropriations and tend to vary significantly from year to year.

In northeastern Washington, investments in restoration have ranged from \$1.1 million to \$2.9 million annually. Between fiscal years 2012 and 2015, the Colville National Forest invested \$9 million in restoration, spending associated with the NEW Forest Vision 2020 accounted for 46% of total restoration spending on the forest. A total of nine local contractors captured an average of 17% of NEW Forest Vision 2020 contract value, for a total of \$0.7 million. In comparison, local contractors captured 28% of non-CFLRP contract value, for a total of \$1.4 million.

Out-of-State contractors were the largest recipient of contract dollars, capturing 63% of CFLRP expenditures and 41% of non-CFLRP expenditures.

In total, 83% (\$3.5 million) of contract dollars obligated through the NEW Forest Vision 2020 project were lost due to leakage out of the tri-county economy.

Forest Service spending by work type varied widely from year to year. Restoration activities are typically organized according to work type because employment, compensation and other job quality attributes can vary significantly according to the activities being conducted (Table 2).

For example, equipment-intensive work tends to be very

capital intensive and operators are highly skilled, garnering a high hourly wage. Labor-intensive activities tend to be lower on the skill and wage spectrum, but are also low on capital requirements making them accessible to more people. Table 2 provides examples of work activities found within each category.

On average, equipment-intensive and labor-intensive contracts have been the leading work types in terms of total contract value, accounting for 44% and 43% of spending, respectively, between FY12 and FY15.

Local contractors successfully captured 41% of stewardship contracts, 26% of equipment-intensive contract dollars, 9% of labor-intensive contract dollars and less than 5% of technical and supply dollars (Table 3).

Out-of-state businesses continued to capture the majority of contract dollars, garnering 63% of total investments.

SMALL BUSINESS ADMINISTRATION SET-ASIDE PROGRAMS

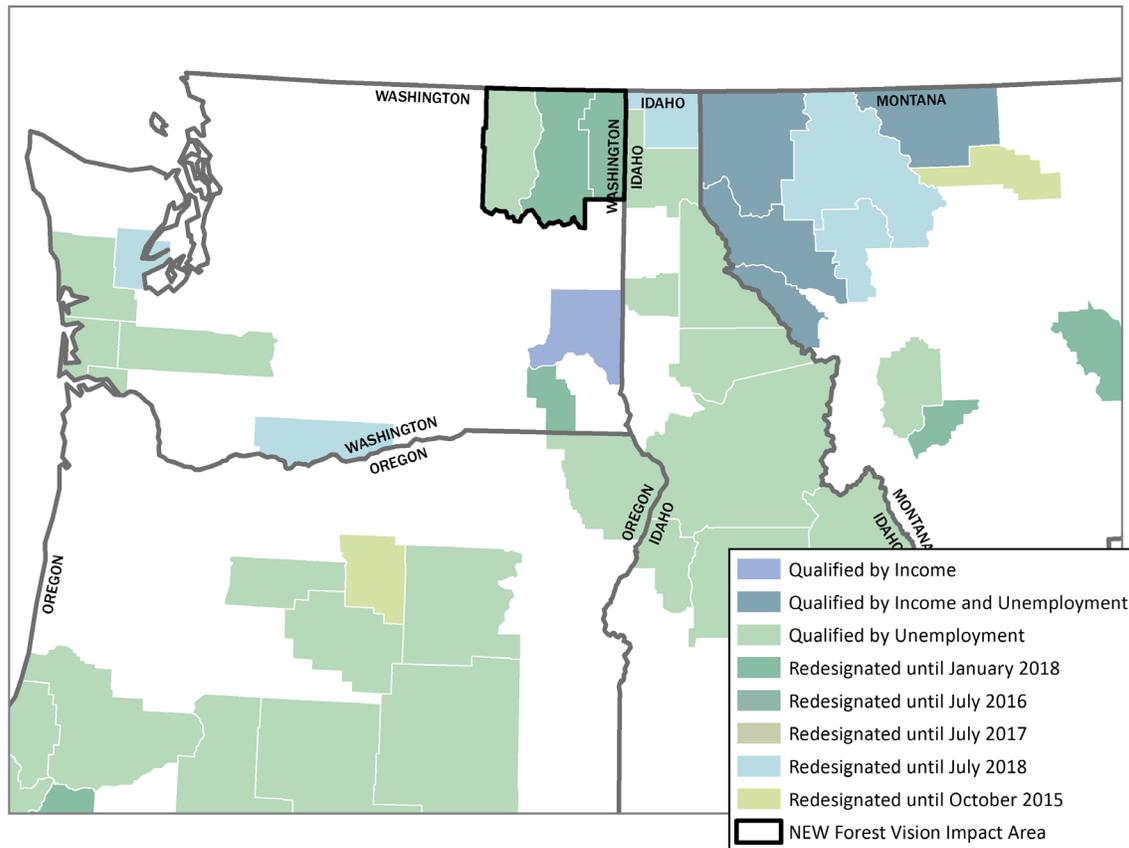
The vast majority of contracts let by the NEW Forest Vision 2020 CFLRP project were set aside solely for small businesses (87% by value). Local businesses captured 19% of contracts set aside for small businesses, down from 25% for similar contracts not let through the CFLRP.

Businesses located in other states were most successful at capturing all contracts regardless of set-aside. Businesses

Table 1. NEW Forest Vision 2020 Contract Expenditures by Year and Contractor Location, 2012-2015.

Contractor Location	FY12	FY13	FY14	FY15	Total
	----- 2012 dollars -----				
Local	200,835	38,197	243,678	225,751	708,461
Ferry	126,310	8,342	2,924	8,100	145,676
Pend Oreille	64,600	2,836	50,895	121,016	239,348
Stevens	9,926	27,019	189,859	96,635	323,437
Leakage	562,960	1,379,404	306,710	1,256,258	3,505,332
to Adjacent Counties	207,692	100,659	59,150	50,547	418,048
to Other Counties in WA	126,510	25,096		276,933	428,539
to Other states	228,757	1,253,649	247,560	928,777	2,658,744
Total	763,795	1,417,601	550,388	1,482,009	4,213,793

Figure 2. Counties designated as Historically Underutilized Business Zones by the SBA.



in adjacent counties had significantly more success capturing contracts set aside for HUB Zone businesses -- even though all three counties in the local impact area are designated HUB Zones.

None of the NEW Forest Vision 2020 contracts set aside for HUB Zone businesses went to contractors in the impact area, even though nine local businesses with experience conducting restoration on public lands were HUB Zone certified (See Table 4).

CONTRACT AND BUSINESS SIZE TRENDS

Information on contract and business size trends can help increase understanding about the capacity of businesses engaged in forest and restoration work and can help agencies tailor contracts to fit the needs of local businesses.

The study found that local businesses tended to be smaller, employ fewer people and be awarded smaller contracts. Whereas 100% of the local businesses conducting restoration in northeastern Washington had between 1 and 10 employees, only 44% of businesses from other states were in this category.

In addition, the average award size for local contractors was just over half of that for out-of-state contractors at \$35,423 and \$60,426, respectively.

Similar to capture rates, average award size varied across work types, as well as by contractor location. Average award size was greatest for equipment-intensive contract obligations and lowest for technical work.

Notable discrepancies in average award size by contractor location were evident in all work type categories, with award sizes to non-local businesses as much as seven times those to local businesses.

Sixty-five percent of the contracts captured by local firms were less than \$25,000 in value and 25% were under \$5,000. In comparison, contracts captured by non-local firms were significantly more weighted to the higher end with 66% greater than \$25,000 and 16% over \$100,000 in value.

Across all contracts, the highest proportion (42%) of service contracts were valued between \$25,000 and \$99,999. However, local contractors were most likely to have a contract in the \$5,000 to \$24,999 size class.

Table 2. Work Type Descriptions.

Work Type	Example Activities
Technical	Architecture and Engineering Services; Various natural resource studies and surveys
Equipment-intensive	Maintenance, alteration or repair of roads, streets, bridges (includes road decommissioning); culvert placement; stream restoration
Labor-intensive	Tree planting; Other range/forest improvement; Hand- or mechanical-tree thinning
Supplies	Floating dry docks; mineral construction materials; chemicals
Stewardship	Contracts let using stewardship authority. Often combine sale of products (timber) with acquisition of services. Can generate revenue to fund additional restoration projects

TIMBER SALES

Between FY 2012 and FY 2015, 10 timber sales were sold through the NEW Forest Vision 2020 CFLRP project, accounting for over 130 million board feet (MMBF) in total volume. To date, all timber sold through the NEW Forest Vision 2020 project has utilized stewardship authority, allowing for timber revenue to be re-invested in restoration service work in the project area. The value of these 10 stewardship timber sales was nearly \$14 million; all were sold to local mills in Colville and Kettle Falls.

Based on research by Sorenson et al (in press), an estimated 76 jobs are supported annually depending upon the volume of timber harvested and processed in a given year. The jobs supported include employment by forestry and logging contractors, sawmills, facilities that utilize mill residues and biomass energy facilities. However, the full effect is greater as these dollars circulate and are distributed throughout the local or regional economy.

AGREEMENTS

Based on data reported by the Colville National Forest, a total of 10 agreements were signed with seven different organizations including two state agencies, three universities and two nonprofits.

The value of these agreements totalled \$679,327, while partners contributed an additional \$167,749 in the form of cash or in-kind resources, thus increasing the impact of limited federal dollars.

Partnerships with state agencies were used to meet ecological objectives, while universities were mostly engaged to meet the monitoring objectives of the project and collaborative and nonprofits were used to accomplish work on the ground through youth corps and national organizations interested in wildlife habitat. One of the partners engaged was a local unit of a state agency, but overall impact to local communities and economies was limited.

Table 3. NEW Forest Vision 2020 Spending by Work Type and Contractor Location, 2012-2015.

Contractor Location	Equipment Intensive	Labor Intensive	Stewardship	Supplies	Technical	Total
-----2012 dollars-----						
Local	486,905	156,801	50,895	2,836	11,025	708,461
Ferry	-	134,652	-	-	11,025	145,676
Pend Oreille	185,617	-	50,895	2,836	-	239,348
Stevens	301,288	22,149	-	-	-	323,437
Leakage	1,351,948	1,656,749	71,851	88,000	336,783	3,505,332
to Adjacent Counties	274,105	143,944	-	-	-	418,048
to Other Counties in MT	20,685	220,150	-	88,000	99,705	428,539
to Other States	1,057,159	1,292,656	71,851	-	237,079	2,658,744
Total	1,838,853	1,813,550	122,746	90,836	347,808	4,213,793

Table 4. Restoration Contractor Capacity in Northeast Washington.

Business Restoration	County	Activity	No. of contracts	CFLRP?	No. of Employees	8(a) certified	HUBZone certified	Veteran-owned	Woman-owned	Small disadvantaged business
AM EXCAVATING, LLC	Stevens	Equipment	2	Y	1-10	-	Y	-	-	-
ANTOINE RC TRUCKING LIMITED LIABILITY COMPANY	Stevens	Equipment	3	-	1-10	Y	Y	-	-	Y
BIG FOOT TRANSPORTATION, INC.	Ferry	Stewardship	1	-	1-10	-	-	-	-	-
BLAINE K LINDGREN	Ferry	Labor	7	Y	1-10	-	-	-	-	-
BOISE CASCADE WOOD PRODUCTS	Stevens	Stewardship	1	Y	Over 100	-	-	-	-	-
C & J FORESTRY	Pend Oreille	Labor	1	-	1-10	-	-	-	-	-
COLPITTS, CAROL	Pend Oreille	Labor	2	-	1-10	-	-	-	Y	-
COLVILLE CONSTRUCTION COMPANY INC	Stevens	Equipment	10	Y	1-10	-	Y	-	-	-
D G SERVICES	Stevens	Tech/Labor	11	Y	1-10	-	-	-	-	-
DEESE, DONALD	Ferry	Technical	1	-	1-10	-	-	-	-	-
GORDON, REBECCA LYNN	Ferry	Technical	1	-	1-10	-	-	-	Y	-
GROTH, JAMES V	Stevens	Technical	4	-	1-10	-	-	Y	-	-
HANSEN LOGGING, LLC	Stevens	Equipment	4	-	11-50	-	Y	-	-	-
HIGH ROCK NURSERY, LLC	Ferry	Labor	14	Y	1-10	-	Y	-	-	Y
HINMAN ECOLOGICAL SERVICES LLC	Ferry	Technical	1	Y	1-10	-	-	-	-	Y
INNES SR SHANE	Ferry	Labor	1	-	1-10	Y	Y	-	-	Y
J L SHERMAN EXCAVATING & ROCK CRUSHING	Pend Oreille	Supplies	1	-	11-50	-	-	-	Y	-
KAMSTRA, KENNETH	Stevens	Labor	3	-	1-10	-	-	-	-	-
KENNETH MAUPIN LOGGING CONSTRUCTION	Pend Oreille	Equipment	4	-	1-10	-	-	-	-	-
LOON LAKE SAND & GRAVEL, LLC	Pend Oreille	Equipment	1	-	1-10	-	-	-	-	-
LORIES TREE THINNING	Stevens	Labor	1	-	1-10	-	Y	-	Y	Y
LOST CREEK LOGGING	Pend Oreille	Stewardship	2	-	1-10	-	-	-	-	-
MCNICHOLL, GEORGE	Stevens	Labor	1	-	1-10	-	-	Y	-	-
MIKE COLLIER	Stevens	Labor	2	Y	1-10	-	-	-	-	-
MISCHKE, DAN	Stevens	Labor	3	-	1-10	-	-	-	-	-
MOORE, RICHARD	Stevens	Technical	3	-	None	-	-	-	-	-
MYCOTROPE	Pend Oreille	Technical	6	-	None	-	-	-	-	-
NORTHEAST WASHINGTON WILDLIFE REHABILITATION SOCIETY	Stevens	Technical	1	-	1-10	-	-	-	-	-
POND, WAYNE LOGGING INC	Stevens	Stewardship	2	-	1-10	-	-	-	-	-
SILVER KING MINING & MILLING	Pend Oreille	Supplies	1	Y	1-10	-	-	-	-	-
TERRY'S TRACTOR SERVICES	Stevens	Labor	2	-	1-10	-	-	-	Y	-
VAAGEN BROS. LUMBER, INC.	Stevens	Stewardship	8	-	Over 100	-	-	-	-	-
VERSATILE INDUSTRIES, INC.	Pend Oreille	Equipment	12	Y	1-10	-	Y	-	-	-
VINCENT & SON EXCAVATION, LLC	Ferry	Equipment	1	-	1-10	-	-	Y	-	-
WILLIAMSON CONSULTING	Stevens	Labor	2	-	1-10	-	Y	-	-	-

DISCUSSION

The results of this study indicate that the economic and community objectives of the Collaborative Forest Landscape Restoration Program have not been fully realized in north-eastern Washington. While the data used for this analysis are largely descriptive (the “what”), the data do provide clues which, when combined with similar research in other areas, can help to stitch together a picture explaining the factors and forces causing these trends (the “why”).

It should be noted that the data used for this study are limited to prime awards made to businesses and organizations and do not capture subsequent subcontracting of specific activities. Furthermore, the data do not represent the full “ripple effect” contract dollars have on communities in northeastern Washington.

How these investments equate to direct jobs and labor income, as well as other indirect and induced effects, have been estimated by the U.S. Forest Service using economic impact models such as TREAT.

In addition, a more tailored model has been created by Forest Econ, Inc. using key assumptions from this report.

Overall, the effect on local communities is assumed to be greatest when local contractors are capturing the work opportunities and dollars are flowing to equipment dealers and other providers of products and services.

SERVICE CONTRACTING

This study identified 34 local businesses that had been awarded at least one restoration contract in the preceding eight years. Most had more than one during the study period. However, out-of-state contractors — primarily from neighboring Idaho — garnered the largest share of restoration contracts and contract dollars.

A number of factors could explain why local businesses are not successfully competing against out-of-state contractors.

First, local businesses may be operating at full capacity and not able to take on additional contract work given their smaller size. Alternatively, the contracts being offered may not be packaged or sized to meet the skills and capacities of local businesses, thus limiting the pool of potential bidders.

Given that local businesses tend to be small (1-10 employees), attention should be paid to the size and length of contracts, as well as making sure the bonding requirements are not overly burdensome, in order to increase local businesses ability to compete.

As mentioned previously, agencies are required to set aside a mandated proportion of their contract opportunities for targeted business types including: small, small disadvantaged, veteran-owned, minority-owned, woman-owned and

HUB Zone certified businesses.

There is no geographic requirement within SBA program set-asides to target funds to local communities. However, the higher-than-average likelihood that a restoration business is small and located in an economically-disadvantaged area should provide them with a competitive edge when competing for contracts set aside for small and HUB Zone businesses. However, research here and in other regions has not shown this to be the case (see Moseley and Toth 2004).

To address why the Forest Service has not directed more contract opportunities to local businesses it is important to understand the bounds of federal government contracting authority.

While programs such as the Collaborative Forest Landscape Restoration Program may have lofty intentions of improving conditions for rural, forest-dependent communities, federal agencies are still confined to the limitations of federal rules and policies, such as the Federal Acquisition Regulations, which dictate the way the federal government procures goods and services from the private sector.

One promising development related to federal contracting policy was the inclusion of language in the FY15 appropriations bill authorizing the Forest Service to extend the local preference provision of best value in stewardship contracting authority to all service contracts. This authority has been extended through FY17 (see Appendix A for more information and resources for using this authority).

STEWARDSHIP CONTRACTING

Stewardship contracting authority is the only permanent contracting authority that allows the Forest Service to award contracts based on best value rather than lowest bid criteria and includes utilization of local workers and/or businesses as a component of best value.

In its FY2013 Budget Justification, the Forest Service emphasized that “stewardship contracting is expected to be the primary instrument for implementing these (CFLRP) projects” (D’Ambrosio 2013). However, this has not been the case. While all of the (10) timber sales offered through the CFLRP were packaged as stewardship contracts, only 15 of the 359 service contracts were offered as stewardship contracts.

Broadly, it appears that there is a general shortage of tools with “teeth” to provide procurement staff with new and better mechanisms for making sure that local, forest-dependent communities are reaping the benefits of activities happening in their backyard.

TIMBER SALES

The sale of timber using stewardship authority generated \$13.7 million dollars in receipts that were then available to be reinvested in additional stewardship items or activities on the forest. This is perhaps the greatest selling point of the program in terms of meeting the objectives of the CFLRP: restoring forests with commercial treatments, sending products to local mills, supporting jobs and retaining those dollars to reinvest in additional work.

AGREEMENTS

Non-competitive, mutual benefit transactions, agreements can be an effective way to meet community, economic

and resource objectives by partnering with local nonprofit, community-based organizations.

Opportunities to create social and livelihood benefits are enhanced when the project and implementation strategies selected align with community needs and priorities (Davis and Moseley 2012). As documented by Davis and Moseley (2012) these partnerships can be opportunities to share the risk of innovation and experimentation, but they require a strong nonprofit partner with program delivery and fund-raising capacity.

In the absence of a strong local partner, agreements may be a way to build relationships and capacity by starting with smaller, less complex projects.

RECOMMENDATIONS

1. Make Full Use of Best Value Criteria.

Until recently, stewardship contracting was the only tool with which the Forest Service could include local rural community benefit in its evaluation criteria. Within the Title IV General Provisions of the Consolidated Appropriations Act of 2012, congress provided authority for the Secretaries of Agriculture and Interior to extend the use of best value criteria, including local community benefit criteria, to all acquisitions. Region 5 developed a number of resources for acquisition staff which can be found in Appendix A. At a minimum, evaluation criteria for all CFLRP contracts should include points for utilization of local businesses, subcontractors and workers located in the tri-county area.

2. Use Agreements to Meet Local Objectives.

Engage local community organizations in identifying opportunities to build the capacity of the local workforce and business sector to engage in restoration activities on public lands.

The following four recommendations are ideally suited to being accomplished through partnerships. A good summary of the various types of agreements and how they can be used to meet community and forest service objectives can be found at ewp.uoregon.edu under Publications, Working Paper 38: The social and livelihood benefits of USDA Forest Service agreements with community-based organizations.

3. Engage Tribes through the Tribal Forest Protection Act.

This legislation authorizes the Secretaries of Agriculture and Interior to give special consideration to tribally-proposed stewardship contracting projects on agency lands bordering or adjacent to trust lands. Conversations with the tribes by Forest Econ, Inc. revealed a strong interest by the tribes in engaging in restoration work on public lands. This interest, combined with the SBA's 8(a) program to promote minority-owned businesses and the Tribal Forest Protection Act (TFPA) could be leveraged to promote economic development in the region.

4. Hold an Annual Contractor/Purchaser Meeting.

Use this meeting as a way for the Forest Service to share information on the contracts expected to be advertised that year, get feedback on how contracts are being packaged and generally gauge interest and capacity to bid on both standard and stewardship contracts.

Engage economic development and/or PTACs (Procurement Technical Assistance Centers) and Small Business Development Centers to provide information and resources on how to do business with the federal government and how to participate in Small Business Administration set-aside programs.

5. Investigate Sub-contracting Trends.

In order to enrich the story of how CFLRP is benefiting the local economy, talk to Vaagen Brothers Lumber and other local restoration contractors (See Table 9) about their firms subcontracting activity. This may provide some insight into how the direct investments are trickling out into other areas of the economy.

6. Conduct a Workforce Assessment.

To better understand the level of interest and capacity in the tri-county region to meet the needs of the NEW Forest Vision—and restoration in general—a survey of local logging and restoration contractors could be conducted.

Information could also be collected on real and perceived barriers to engaging in federal contracting, ideal size and type of contracts, and other topics that could lead to more targeted technical assistance or more appropriately designed or scaled contracts.

Resources for conducting a workforce assessment can be found at <http://ewp.uoregon.edu/assess>.

REFERENCES

- Clark, Major III, Chad Moutray, and Radwan Saade. 2006. *The Government's Role in Aiding Small Business Federal Subcontracting Programs in the United States*. Washington, DC: U.S. Small Business Administration, Office of Advocacy.
- D'Ambrosio, Kate. 2013. "The Case For A Systemic Approach To Forest Health, Wildland Fire Risk, Stewardship Contracting, And Federal Procurement Policy." *Public Contract Law Journal* 43 (1): 145.
- Davis, Emily Jane and Cassandra Moseley. 2012. *The Social and Livelihood Benefits of USDA Forest Service Agreements with Community-Based Organizations Ecosystem Workforce Program*, University of Oregon.
- Green, Dan, Maryanne Green, and Charles McKetta. 2015. *Economic Profiles of Northeast Washington Counties*. Forest Econ, Inc.
- Jolley, Allison Reeves, Jonathan Kusel and Erica Hann. 2016. *USFS Collaboratives and Local Benefit: What's Local Anyways? A Case Study Approach to Defining Local*. Sierra Institute for Community and Environment, 40 p.
- Moseley, Cassandra and Nancy A. Toth. 2004. "Fire Hazard Reduction and Economic Opportunity: How are the Benefits of the National Fire Plan Distributed?" *Society & Natural Resources* 17 (8): 701-716.
- U.S. Forest Service. 2004. *Forest Service Renewable Resources Handbook FSH 2409.19, Chapter 60: Stewardship Contracting*.
- U.S. Government Publishing Office. n.d. *Consolidated Appropriations Act of 2012*, 125 Stat 786. 268.
- U.S. Small Business Administration. "Contracting Support for Small Businesses." [www.sba.gov](https://www.sba.gov/category/navigation-structure/contracting/contracting-support-small-businesses). 2015, <https://www.sba.gov/category/navigation-structure/contracting/contracting-support-small-businesses>.
- Washington State Employment Security Division. "Map of County Unemployment Rates." <https://fortress.wa.gov/esd/employmentdata/reports-publications/economic-reports/monthly-employment-report/map-of-county-unemployment-rates>, last modified October 2015.