

**THE FIRST FIVE YEARS (and beyond):
Measuring the impact of the Collaborative Forest Landscape
Restoration Program on local communities in
Northwestern Montana**

2010-2015

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and

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About the Author

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EXECUTIVE SUMMARY

In order to understand the impact of new policy interventions aimed at restoring federal forests and supporting local economies, the Bureau of Business and Economic Research (BBER) at the University of Montana was contracted to conduct a study on the degree to which the Collaborative Forest Landscape Restoration Program (CFLRP) was generating opportunities and benefits for communities in the region. The BBER used service contract, timber sale contract and agreement records to characterize the number of local entities (businesses, nonprofits, agencies, etc.) involved in meeting the restoration objectives of the CFLRP in the Southwestern Crown of the Continent in northwestern Montana.

The study found that over \$14 million dollars had been invested in restoration through the CFLRP between fiscal years 2010 and 2015. Of this, roughly one third was invested in contracts and another third in agreements, with the majority of the remaining funds used to support Forest Service staff time (25 percent). Year over year comparisons showed declines in the value of contracts and agreements awarded and an increase in the share of CFLRP funds use to support Forest Service specialists. This trend is likely a result of three factors: 1) the agency ramping up to conduct a landscape-scale NEPA analysis for the entire project area requiring a focus on data collection and associated field work, and 2) the multi-year nature of most agreements lends itself to heavier investments in the early years, and 3) the planning backlog resulting from litigation of a CFLR project and subsequent lack of contract-ready project work.

The local benefits of these investments have been significant with virtually all of the agreements and Forest Service staff time supporting nonprofits and employees residing in the communities adjacent to the project area. Of the contract investments, over 90 percent stayed within the state of Montana and two thirds stayed within the five counties surrounding the SW

Crown project area. However, less than one percent of service contract value stayed in the rural communities located in or near the project boundary.

INTRODUCTION & PURPOSE

In many parts of the forested western United States, rural communities have been impacted by forest industry restructuring, federal land policy changes and more recently the Great Recession (Abrams et al. 2015; Istrate 2015, 6-8). Timber harvest volumes have declined and catastrophic wildfires and insect outbreaks are increasing the need to manage our forests while changing the types of businesses needed to do the work (Vaughan and Mackes 2015, 217-225). In addition, the agency is changing the way it gets work done, increasingly relying on community-based non-profit organizations to accomplish restoration objectives while creating additional social and livelihood benefits for local communities (Davis and Moseley 2012).

All told, public land managers rely on private sector forestry contractors, wood products manufacturers, independent loggers and non-profit community-based organizations to conduct needed fuels reduction, insect mitigation, and other restoration and maintenance activities. These activities require firms, workers, material, and supplies while providing raw material for a variety of commercial products including lumber, fence material, log homes, log furniture, wood pellets, electricity, decorative bark and other products with commercial uses. The combination of all these requirements and products have great potential to contribute to the economic vitality of nearby forest-dependent communities.

Collaborative Forest Landscape Restoration Program

In 2009, Congress passed the Forest Landscape Restoration Act (FLRA) 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” (Pub. L. 111-11, Sec 4003(c)(7)). 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). Finally, the Act requires multi-party monitoring “to assess the positive or negative ecological, social, and economic effects of projects.”

In 2010, the Southwestern Crown of the Continent Collaborative in Montana was successful in securing funding for their SW Crown restoration project, providing an opportunity to measure the impact of restoration investments on local businesses, communities and economies. A monitoring committee was established including a socioeconomic working group to assess the local social and economic impacts of the program.

Purpose of Analysis

The purpose of this analysis is to understand the extent to which local contractors, organizations and manufacturers in the region are benefiting from CFLRP opportunities. This is accomplished by measuring the rate of local engagement in the Southwestern Crown of the Continent CFLRP project and comparing these rates to similar restoration activities occurring in the five-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.

The project also assists in answering the larger question of how well the Collaborative Forest Landscape Restoration Program is meeting its stated objectives to generate benefits for local communities and economies. Demonstration of such benefits will be important for maintaining and augmenting local and national support and program funding.

Why Monitor Contracts?

Given that one of the objectives of the program is to create economic opportunities for local communities, businesses, and workers, consideration of who is being awarded contracts, purchasing timber or entering into agreements is of high importance. Similarly, how local is defined can have a significant impact on the results and how meaningful they are to stakeholders, both local and national.

Applying the Concept of 'Buy Local' to the Forest Sector

Efforts to stimulate the local economy through 'buy local' programs generally focus on the replacement of imports of goods or services with local substitutes, thereby reducing the leakage of money out of the local economy (Sandro 1995). As documented by Nielson-Pincus and Moseley (2013), every \$1 million invested in forest and watershed restoration in Oregon returned an additional \$0.7 to \$1.6 million to the local economy as the dollars flowed to local firms and workers, supplies and services were purchased from local vendors, and as workers spent their earnings in the community.

Implementing an import substitution program with governments often means creating policies that direct more contract dollars to local vendors (Persky, Ranney, and Wiewel 1993). In the case of federal land management agencies, procurement contracts (used to purchase goods and services from the private sector), timber sale contracts (used to sell goods such as timber), and agreements (used to partner with non-federal entities on projects of mutual benefit) are the most commonly used tools for accomplishing forest restoration and maintenance activities. While often overlooked, these mechanisms are one way in which rural communities can work with federal agencies, such as the Forest Service, to leverage federal investments to support rural businesses by focusing on import substitution where capacity exists.

Local Preference Authority

While legislation encouraging 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 applicable 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 Forest Service 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 2012 (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 2013, 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.

This authority has since been extended multiple times, most recently in the Consolidated Appropriations Act of 2018 (PL 15-141). 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

As mentioned above, political boundaries are often poor proxies for communities, creating challenges for researchers and other interested parties to create meaningful definitions of rural--often unincorporated--towns. To address this challenge, the author used county census divisions—a sub-unit of counties—to approximate the forest communities located closest to the SWCC project area. These “first order” forest communities are collectively called the “Micro Impact Area” (figure 3).

The “second order” designation of local used counties as the defining unit and included those that touched the project boundaries: Flathead, Lake, Lewis and Clark, Missoula and Powell. These counties are collectively considered the “Local Impact Area” and act as the reference area for comparisons.

Finally a “Regional Impact Area” was identified to encompass those adjacent counties with significant forest business and/or wood products manufacturing capacity (see figure 1) and includes an additional eight counties that fall west of the Continental Divide: Broadwater, Granite, Deer Lodge, Jefferson, Lincoln, Mineral, Ravalli, and Sanders.

Figure 1. Analysis areas: a) project boundary, b) 5-county local impact area and reference area, and c) regional impact area

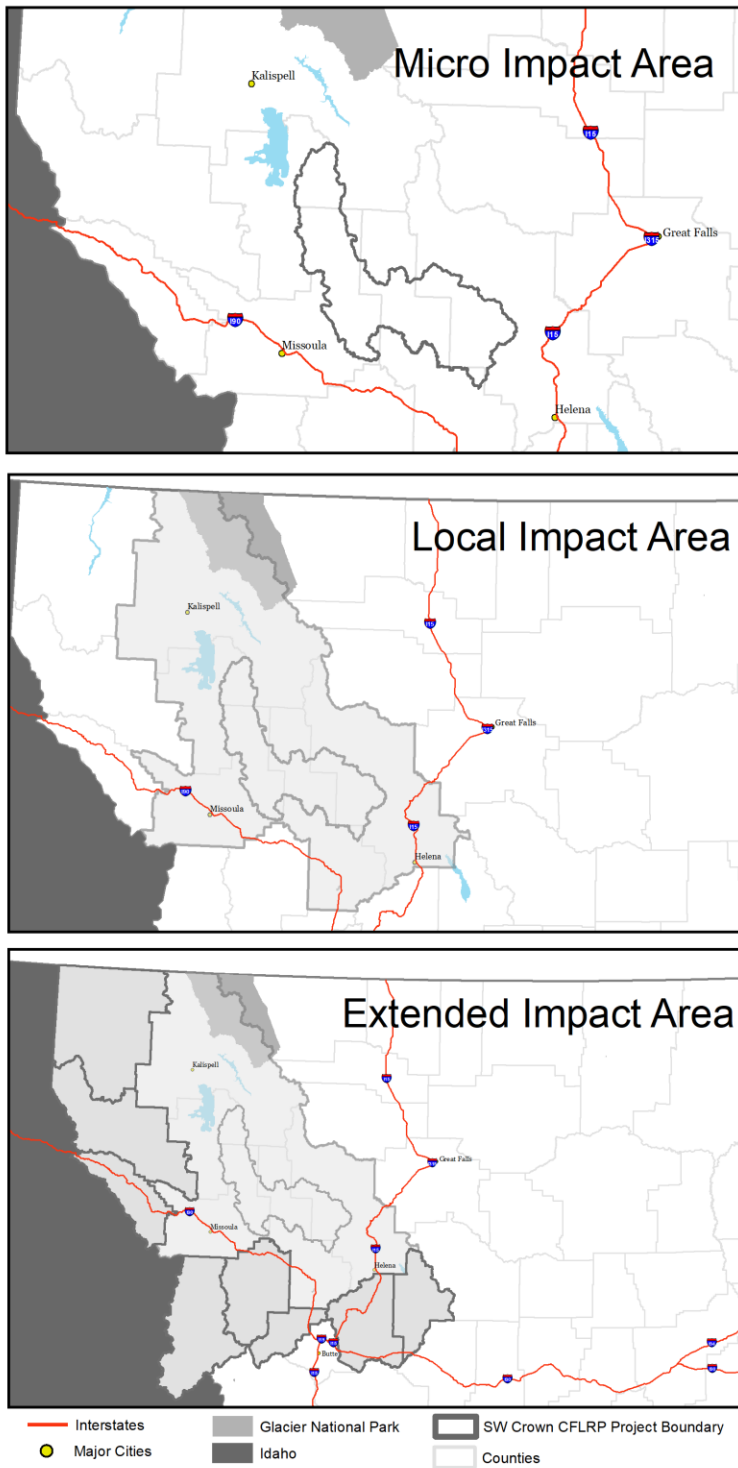


Figure 1—SWCC Micro, Local and Extended Impact Areas

Leakage

The difference between the value of contracts and agreements that went to contractors within the micro and local impact areas and the total value of all contracts and agreements is considered leakage. Leakage in this report refers to those dollars invested by the US Forest Service in an area that leave the local economy. This first-level leakage represents direct investments in restoration with non-local businesses that are lost, but also represents the indirect and induced effect those dollars could have had in the local economy as business and workers purchased goods and services in their communities. To illustrate, studies in Oregon have found that for every \$1 million dollars invested in restoration, an additional \$1.1 to \$1.4 million in impacts occur as those investments circulate in the local economy through the purchasing of materials, supplies, equipment and services and as workers spend their incomes on personal and household goods and services.

SOCIOECONOMIC CONTEXT

The Southwestern Crown of the Continent CFLR project area is located in the Clearwater, Swan and Blackfoot valleys of northwestern Montana. The project area lies north of I-90 and west of I-15, touching five counties and encompassing three districts from three National Forests. Because counties are not generally a useful tool for understanding community-level dynamics, county census divisions were used to approximate the rural forest communities in the local area. These included: Helmville, Lincoln, Seeley Lake-Blackfoot and Woods Bay-Rollins (figure 2). CCDs are the finest level of data reported by the US Census Bureau, and data at this scale are limited in their availability—generally covering demographic trends only.

Figure 2. Forestry and wood utilization businesses in the Southwestern Crown of the Continent and surrounding region

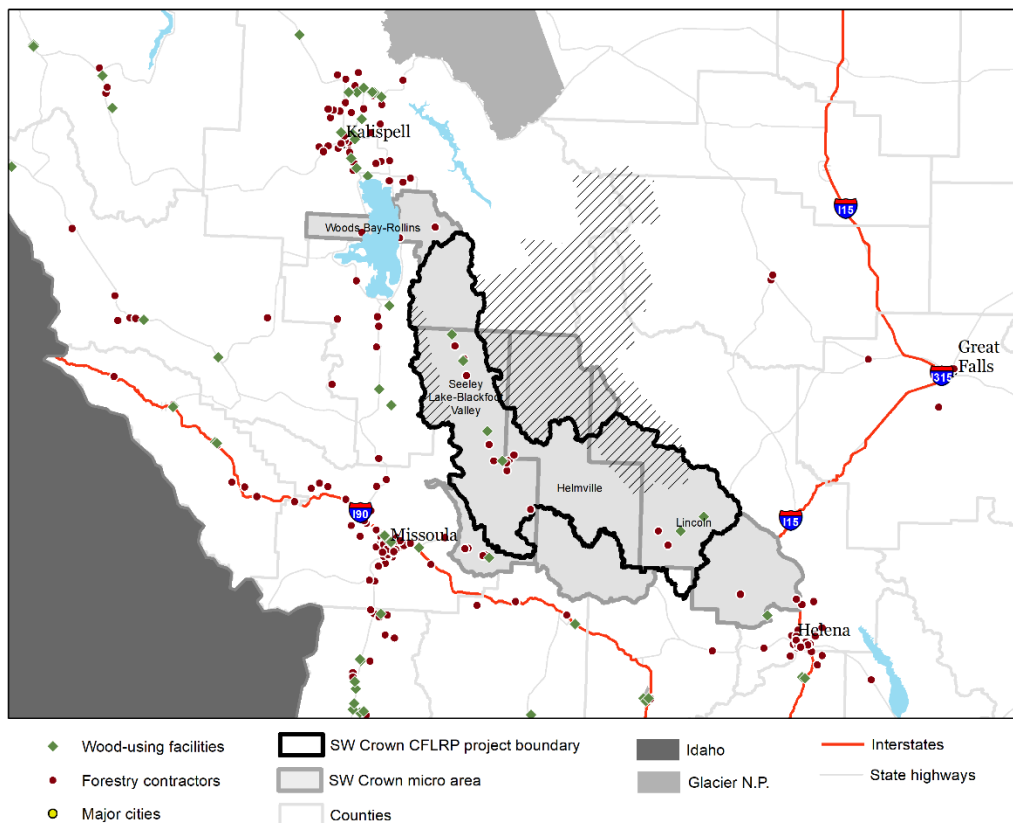
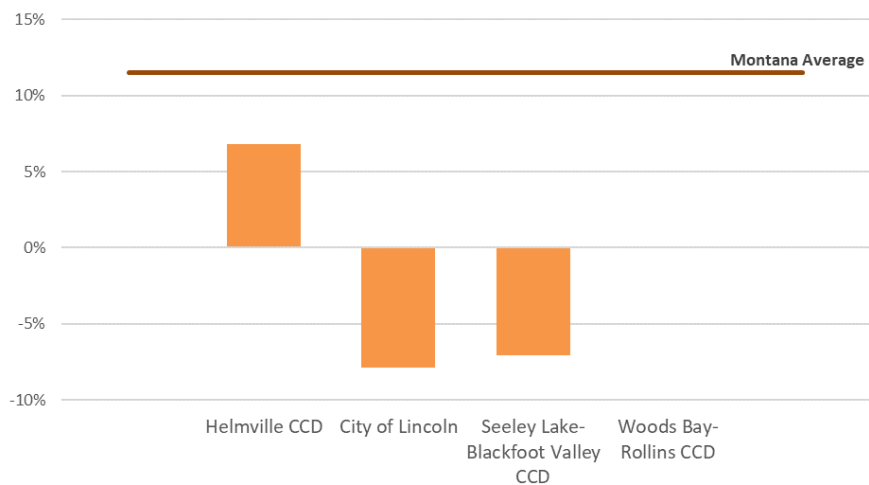


Figure 2—Forestry and wood utilization businesses in the Southwestern Crown of the Continent and surrounding areas.

The combined population of the four CCDs in the SWCC in 2014 was 13,049. However, nearly half (48 percent) of the population resides in the Lincoln CCD likely due to its incorporation of suburbs of the capital city of Helena). Statistics for the city of Lincoln have been used in place of the Lincoln CCD to avoid the influence of the exurban population associated with Helena.

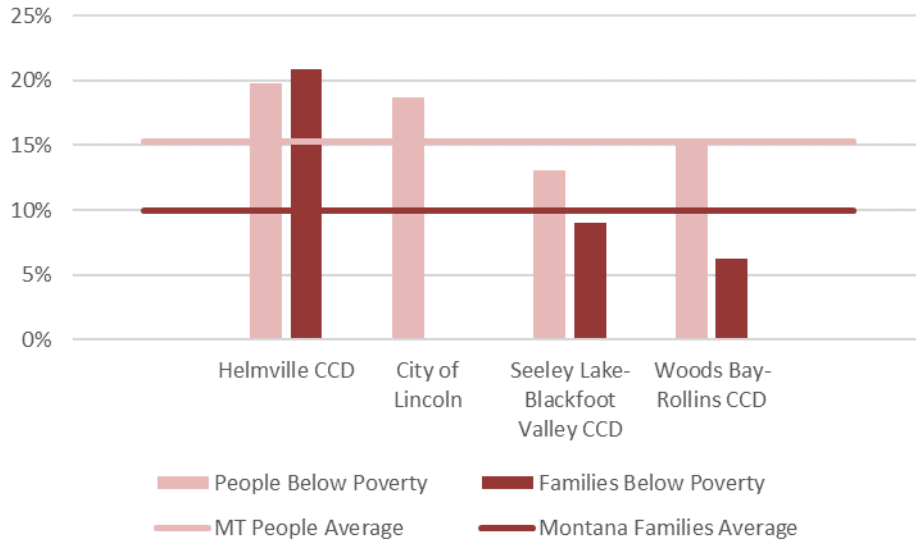
The median age in the four communities was over 50 in 2014 compared to the state's median age of 40. Communities in the SWCC have not experienced the population gains that the state has, with 2 of the four communities experiencing population declines and one reporting only modest increases (figure 3).

Figure 3. Population change by community 2000-2014



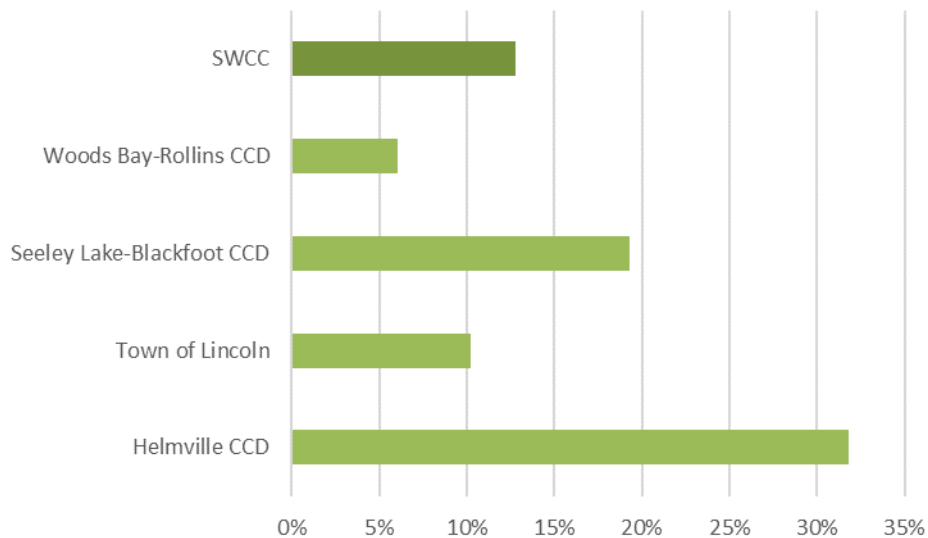
Socioeconomic conditions in the SWCC are varied, with some communities faring better than the state average and others faring worse on measures such as the share of persons and families living below the poverty level, incomes levels and dependence on social security and retirement income (figure 4).

Figure 4. Share of individuals and families living below the poverty level by CCD



Employment in natural resource-related industries (Ag, forestry, fishing, hunting) account for 7 percent of total employment, and when combined with wood products manufacturing employment, total employment in natural resource-related industries is estimated to be closer to 13 percent (figure 5).

Figure 5. Share of employment in Ag, Forestry, Fishing, and Hunting (incl. wood products)



Regionally, the SW Crown touches five counties: Flathead, Lake, Lewis and Clark, Missoula and Powell. Two of these counties, Flathead and Lake, are recognized by the Small Business Administration (SBA) as historically under-utilized business zones (HUB Zones) through 2018

due to higher than average unemployment and/or lower than average median household income. Additionally, adjacent counties to the northwest, which have faced persistent challenges with high unemployment, low wages and associated high levels of poverty, have been designated HUB Zones for many years for these reasons.

The diversity of businesses able to utilize the by-products of restoration and management activities is one of the biggest assets in this region. As of 2014, there were 29 wood products manufacturers operating in the 5-county local impact area employing over 1,800 production and administrative workers. These include: twelve sawmills, 1 plywood plant, 3 post and rail manufacturers; 6 log home manufacturers; 2 roundwood chipping operations; 2 commercial firewood operations; 2 log furniture manufacturers and 1 biomass facility. These 29 wood products manufacturers have a combined capacity to process more than 210 million board feet per year. In 2014, these manufacturers in the 5-county region used about 96 percent of this capacity, processing 206 million board feet of timber.

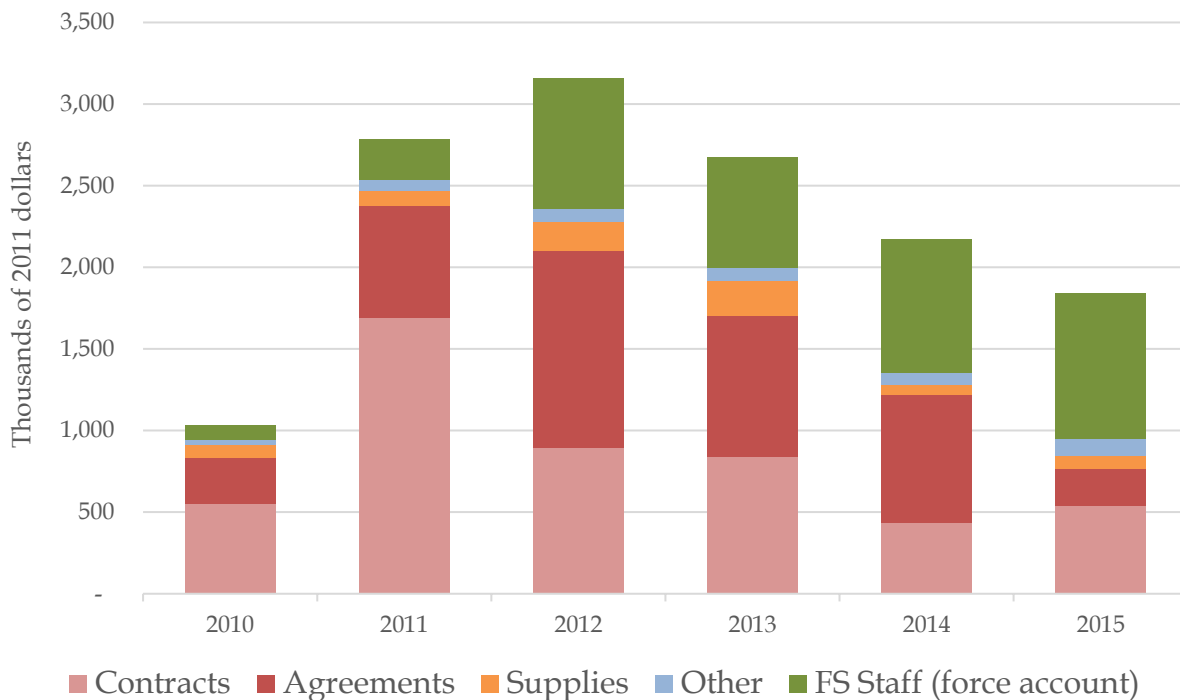
Since 2010, capacity to process timber has declined by 63 percent as a result of a series of closures of Plum Creek mills in Lincoln and Lake Counties, followed by the closure of the Smurfit-Stone pulp facility in Missoula County. Another wave of closures occurred following the sale of Plum Creek to Weyerhaeuser in 2015, which resulted in the closure of a sawmill, plywood plant and administrative office in Columbia Falls.

MEASURING THE IMPACT OF THE CFLRP

CFLR Program Expenditure Trends

In the SW Crown, during 2010-2015, the US Forest Service expended \$14 million in CFLRP funds (not including federal matching funds) to procure services (36 percent), invest in mutual benefit projects with non-profits and other entities (30 percent), purchase supplies (5 percent), support the time of agency specialists (26 percent) and on other miscellaneous expenses (3 percent). The relative investments in each of these categories has varied from year to year (figure 4).

Figure 6. Share of CFLR investments in Forest Service staff *increased*, value of agreements and contract work *decreased*



One notable trend is the increasing proportion of funding being used for agency specialists and the decreasing proportion spent on contracts and agreements. This trend is likely a result of the time it takes to complete project- and landscape-level NEPA analyses. As Abrams (2011)

has pointed out, the timing and availability (or lack thereof) of funding can have a large impact on the agency's ability to avoid planning bottlenecks.

While often overlooked, investments in Forest Service staff also have a positive impact on the communities in which they reside. It is estimated that between 5 and 22 agency personnel have been supported annually by CFLRP dollars depending upon the year.

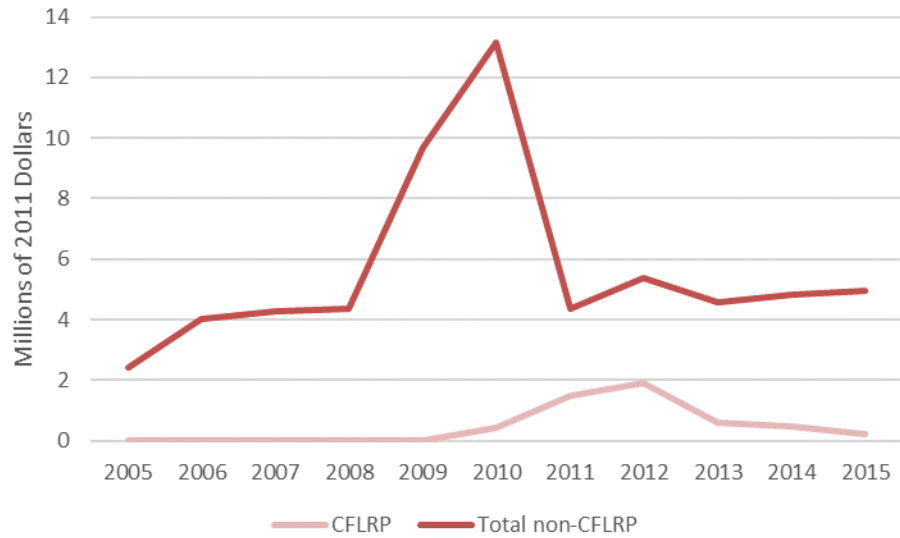
Service Contracting

CFLRP in Context

Contract expenditures for restoration are largely dependent upon federal appropriations and tend to vary significantly from year to year. In the 5-county reference area (same as Local Impact Area), investments by the Forest Service in forest management and restoration activities over the last decade have ranged from \$2.4 million to more than \$13 million annually¹ (figure 5). Between FY 2010 and 2015, the Forest Service invested more than \$39 million in the reference area; spending associated with the Southwestern Crown of the Continent CFLRP project accounted for approximately 12 percent of the total restoration spending during this time.

Figure 7. Annual spending by US Forest Service on forest management and restoration procurement contracts in 5-county reference area

¹All dollar values in this report have been converted to constant 2011 dollars.



Trends by Region

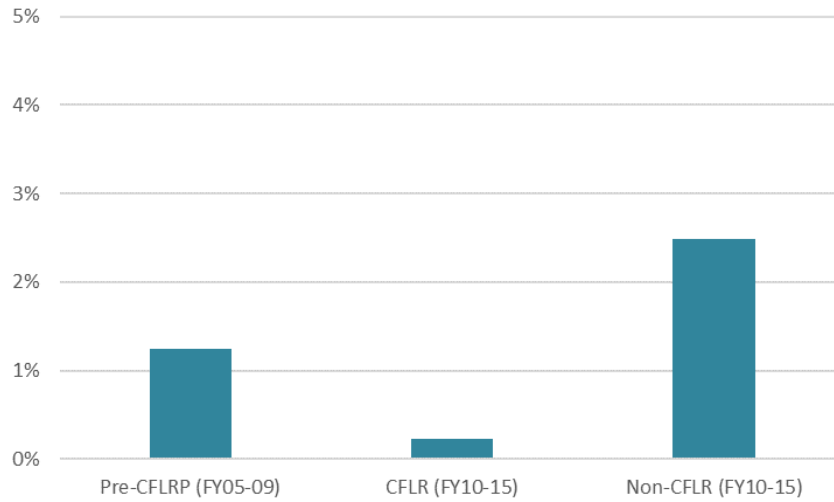
CFLRP Micro Impact Area Trends



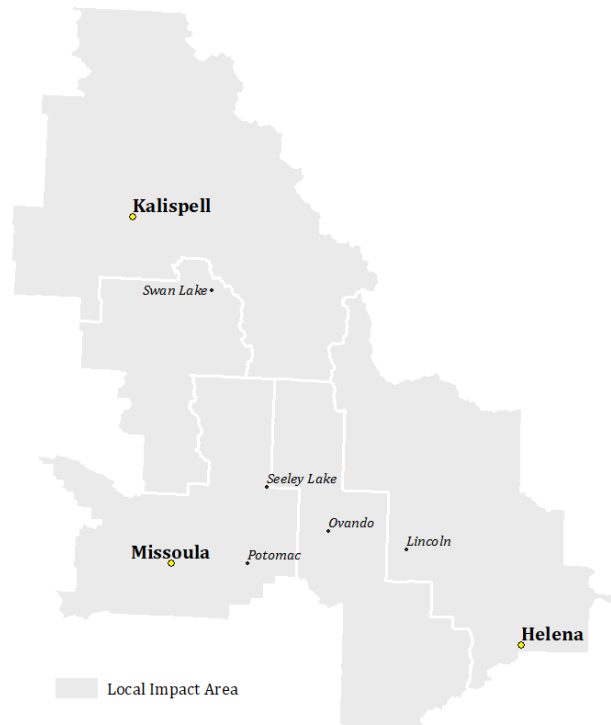
The 23 contractors located in the Micro Impact Area have tended to capture less than 2 percent of the total restoration contract value. In the five years leading up to the CFLR designation, these contractors captured 1.2 percent of the total contract value. Between FY10

and FY15, these businesses captured less than 1 percent of CFLR dollars and 2.5 percent of non-CFLR dollars awarded.

Figure 8. Share of CFLRP contract dollars awarded to businesses in Micro Impact Area

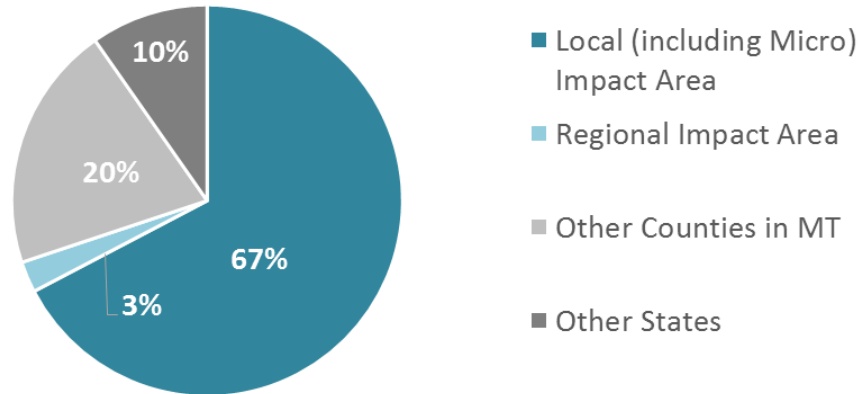


CFLRP Local & Extended Impact Area Trends



Businesses in the Local Impact Area (above) were awarded the largest share (67 percent) of contract value through the CFLR program, compared to 46 percent of non-CFLRP contract value (figure 9).

Figure 9. Sixty-seven percent of CFLRP contract dollars invested in the Southwestern Crown of the Continent went to businesses in the Local Impact Area

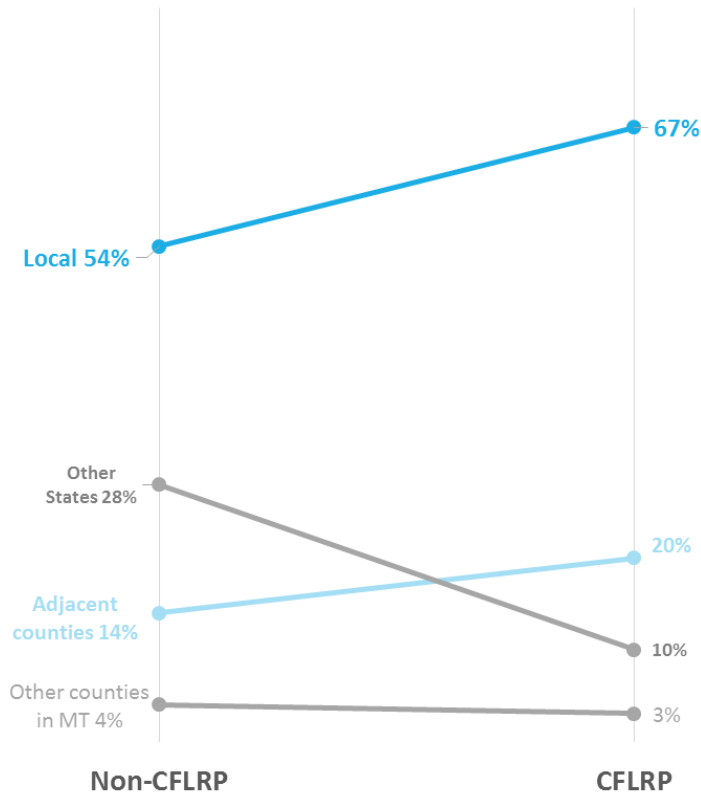


Overall Trends

The share of contract value going to businesses in the regional impact area (west of the Continental Divide) was 20 percent, an increase from just 15 percent of non-CFLR program contracts and 12 percent of pre-CFLRP contracts.

Overall, businesses in the local and regional impact areas have been the largest beneficiaries of the CFLR program, while Out-of-state contractors have seen the largest reductions in contract share, declining from 36 percent of non-CFLR contract dollars to just 12 percent of CFLR investments (figure 10).

Figure 10. CFLR Program Increasing the Share of Dollars Staying in Local Economy, Reducing Leakage



Trends by Work Type

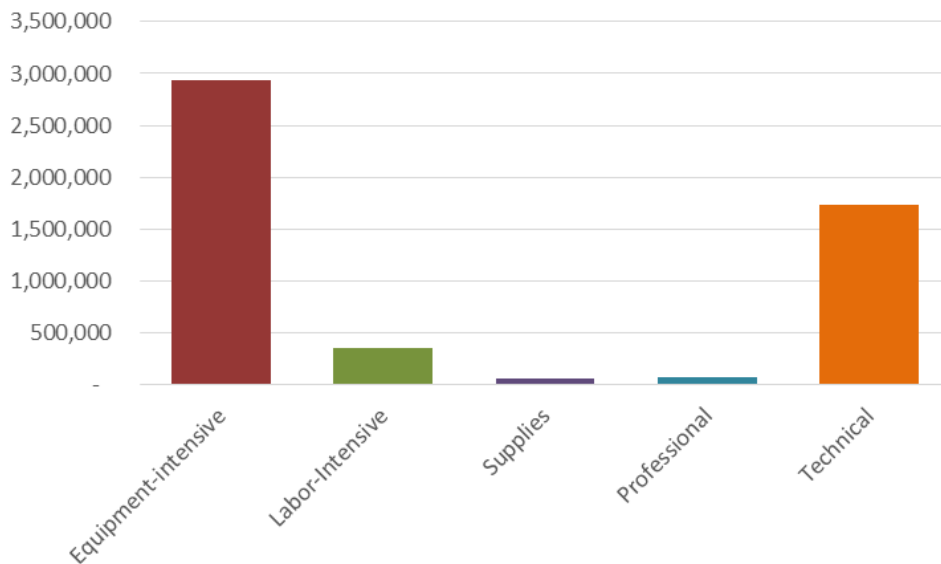
Forest Service spending by work type varied widely from year to year. Restoration activities are typically organized according to work type because employment, compensation and other job quality attributes can vary significantly according to the activities being conducted. For example, equipment-intensive 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 1 provides examples of work activities found within each category.

Table 1—Work type descriptions

Work Type	Most common examples
Equipment-Intensive	Maintenance, Alteration or Repair of Roads, Streets, Bridges (includes road decommissioning)
Labor-Intensive	Tree Planting; Other Range/Forest Improvement; Tree Thinning
Supplies	Floating drydocks, mineral construction materials
Professional	Land surveys; various natural resource & scientific studies; administrative support services
Technical	Architecture and Engineering Services; environmental assessments; weed spraying; stewardship contracts

On average, equipment-intensive and technical contracts have been the leading work types in terms of total contract value, accounting for 57 and 34 percent of spending, respectively, between FY10 and FY15 (Figure 11).

Figure 11. Equipment-intensive and technical work accounted for majority of restoration spending



Businesses in the local impact area successfully captured 81 percent of equipment-intensive contract dollars, 61 percent of labor-intensive contract dollars, 48 percent of technical contract dollars, and less than 30 percent of professional and supply dollars (table 2).

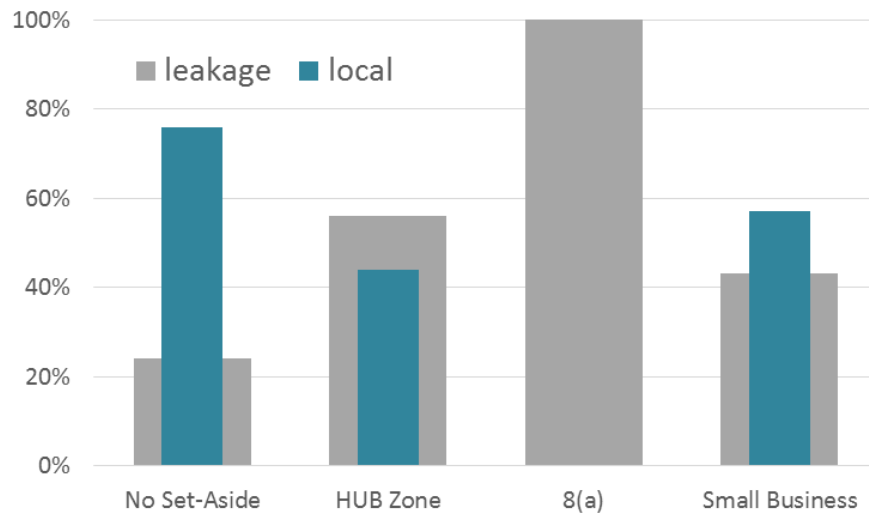
Table 2—SWCC spending by work type and contractor location, 2012-2015

Contractor Location	Equipment	Labor	Supplies	Professional	Technical	Total
	Intensive	Intensive				
-----2011 dollars-----						
Local	2,395,406	213,760	13,187	18,894	825,393	3,466,641
<i>Micro Impact Area^a</i>	2,975				8,941	11,916
<i>Local Impact Area^b</i>	2,392,431	213,760	13,187	18,894	816,453	3,454,725
Leakage	545,632	138,344	41,713	45,347	904,552	1,675,589
<i>to Regional Impact Area^c</i>	231,591	10,247			803,037	1,044,875
<i>to Other Counties in MT</i>	46,791				84,620	131,410
<i>to Other states</i>	267,251	128,097	41,713	45,347	16,896	499,303
Total	2,941,038	352,105	54,900	64,241	1,729,945	5,142,230
-----percentage of contract dollars-----						
Local	81%	61%	24%	29%	48%	67%
<i>Micro Impact Area^a</i>	0%	0%	0%	0%	1%	0%
<i>Local Impact Area^b</i>	81%	61%	24%	29%	47%	67%
Leakage	19%	39%	76%	71%	52%	33%
<i>to Regional Impact Area^c</i>	8%	3%	0%	0%	46%	20%
<i>to Other Counties in MT</i>	2%	0%	0%	0%	5%	3%
<i>to Other states</i>	9%	36%	76%	71%	1%	10%
Total	100%	100%	100%	100%	100%	100%

Trends by SBA Program

The majority of contracts let by the Forest Service through the CFLRP did not use set-asides (60 percent by value). Businesses in the local impact area captured 76 percent of these contracts, by value. These businesses were also successful capturing contracts set aside for exclusively for small businesses (57 percent), up from 52 percent for similar contracts not let through the CFLRP. Finally, businesses in the local impact area captured 44 percent of HUB Zone contracts. Businesses located in other states were most successful capturing contracts set aside for 8(a) certified businesses (Figure 12).

Figure 12. Businesses in the Local Impact Area were most successful capturing contracts with no set-aside, least successful capturing 8(a) contracts



Businesses in the regional impact area had significantly less success capturing contracts set aside for HUB Zone businesses--even though many of these counties are designated HUB Zones. None of the CFLRP contracts set aside for 8(a) businesses went to contractors in the local or regional impact area (table 3). However, examination of the data reveal that there are only two 8(a) certified contractors in the region. This finding confirms a trend documented by McIver et al. (in review) that 8(a) set-asides increase the distance between work site and contractor by nearly 150 miles, all else being equal.

Table 3—SWCC contract spending by set-aside and contractor location, 2010-2015

Contractor Location	No Set-Aside	HUB Zone	8(a)	Small Business	Total
-----2011 dollars-----					
Local	2,355,673	61,428	-	1,049,541	3,466,641
<i>Micro Impact Area^a</i>				11,916	11,916
<i>Local Impact Area^b</i>	2,355,673	61,428		1,037,625	3,454,725
Leakage	727,140	78,740	89,305	780,405	1,675,589
<i>to Regional Impact Area^c</i>	727,140			317,735	1,044,875
<i>to Other Counties in MT</i>				131,410	131,410
<i>to Other states</i>		78,740	89,305	331,259	499,303
Total	3,082,813	140,167	89,305	1,829,945	5,142,230
-----percentage of contract dollars-----					
Local	76%	44%	0%	57%	67%
<i>Micro Impact Area^a</i>	0%	0%	0%	1%	0%
<i>Local Impact Area^b</i>	76%	44%	0%	57%	67%
Leakage	24%	56%	100%	43%	33%
<i>to Regional Impact Area^c</i>	24%	0%	0%	17%	20%
<i>to Other Counties in MT</i>	0%	0%	0%	7%	3%
<i>to Other states</i>	0%	56%	100%	18%	10%
Total	100%	100%	100%	100%	100%

Contract and Business Size Trends

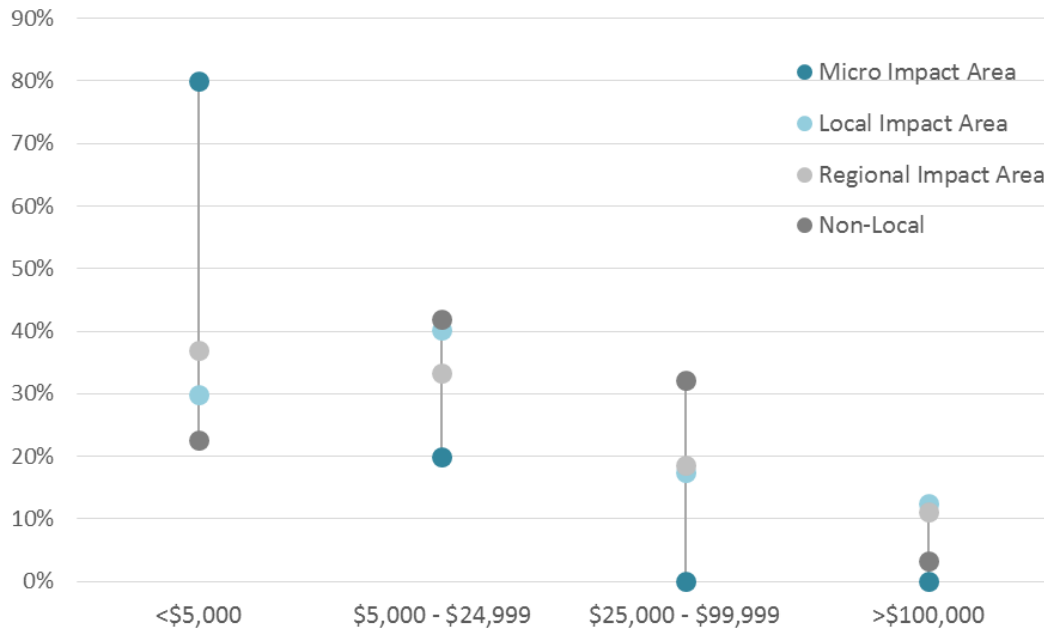
Information on contract and business size trends can help to understand the capacity of the businesses engaged in forest and restoration work and can help agencies tailor contracts to fit the needs of local businesses. As evidenced in Tables 4 and 5, local businesses tend to be smaller, employ fewer people and be awarded smaller contracts. Businesses in all locations working on CFLRP projects were most likely to be in the 1-10 employee size category. However, businesses in the Micro and Local impact areas were found exclusively in this class or below, while businesses in other regions were spread out among the 1-10 employee class and larger (Table 4).

Table 4—CFLRP Business Size Characteristics by Impact Area

Contractor Location	Number of Employees					Total
	None	1-10	11-50	51-100	Over 100	
-----number of businesses-----						
Micro Impact Area	1	1				2
Local Impact Area	-	14	10	-	1	25
Regional Impact Area	-	9	2	-	1	12
Other Counties in MT	-	2	-	-	-	2
Other states	-	5	4	3	-	12
Total	1	31	16	3	2	53
-----percentage of total-----						
Micro Impact Area	50%	50%	0%	0%	0%	100%
Local Impact Area	0%	56%	40%	0%	4%	100%
Regional Impact Area	0%	75%	17%	0%	8%	100%
Other Counties in MT	0%	100%	0%	0%	0%	100%
Other states	0%	42%	33%	25%	0%	100%
Total	2%	58%	30%	6%	4%	100%

Average award size by impact area were not as conclusive. With the exception of contracts awarded to businesses in the Micro impact area, average contract value was very similar for businesses in the local and regional impact areas as well as contracts awarded to businesses in other parts of Montana. Somewhat surprisingly, average contract value for businesses in other states was just over half the average value of all contracts (\$28,410) (table 7). 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 and technical contract obligations and lowest for professional work. Across all contracts, the largest share (42 percent) of service contracts were valued under \$25,000.

Figure 13. Seventy percent of contracts captured by local firms were less than \$25k, 32 percent were under \$5k



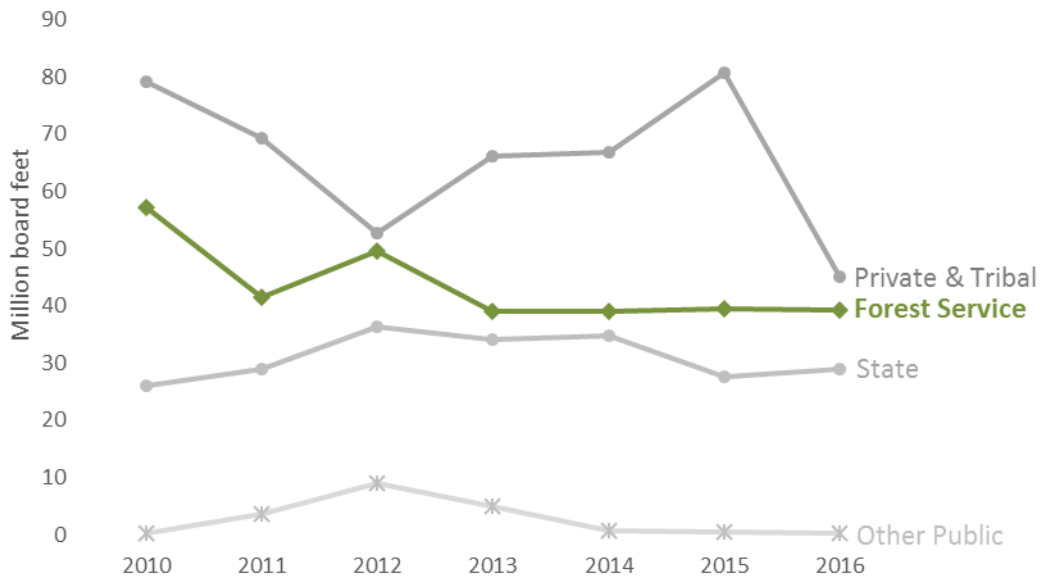
Information summarizing additional attributes of the local contractor market, including location, type of work conducted and set-aside designation are posted as a supplemental resource on the website www.swcrown.org/monitoring.

Timber Sales

Between fiscal years 2010 and 2015, the Forest Service sold 10.9 million cubic feet (MMCF) of timber through the CFLR program (roughly 67 million board feet). Approximately 27 percent of the total volume of timber sold via CFLR projects has been harvested to-date, in part due to delays associated with appeals and litigation. In addition, the program reported making 145,336 green tons of biomass available, although it is unknown how much of this material was utilized.

Annually, timber harvested from national forests in the local impact area has held steady around 40 million board feet per year, after declining from nearly 60 MMBF in 2010 (figure 14). Timber made available through the CFLR program has accounted for between 0 and 3 percent of annual timber volume harvested in the 5-county region, and between 0 and 16 percent of the national forest harvest in the same region.

Figure 14. Forest Service timber harvest in the local area declined over the 5-year period



Agreements

More than \$7 million dollars have been invested in agreements with non-profit, state and federal agencies to accomplish mutual benefit projects in the Southwestern Crown of the Continent. The federal and non-federal partners have brought an additional \$3.3 million in funds to the table, increasing the total impact of these projects to \$10.5 million. More than 95 percent of the funds invested by the Forest Service went to 21 non-profits located in the local impact area to support projects, programming and staff working in support of the goals of the CFLRP.

Cooperation with state and federal agencies was also supported through agreements with the US Geological Survey, US Fish and Wildlife Service and the Montana Departments of Natural Resources and Conservation and Fish, Wildlife and Parks.

DISCUSSION

The results of this study indicate that many of the economic and community objectives of the Collaborative Forest Landscape Restoration Program are being realized in northwest Montana. Businesses in the local impact area are capturing a greater share of restoration work opportunities as compared to non-CFLRP restoration work. Timber sales and agreements continue to benefit primarily local nonprofits, wood products manufacturers and independent logging companies.

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. 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.

Table 5. Jobs and labor income impacts from CFLRP activities in the SW Crown

	2011	2012	2013	2014	2015	2016
USFS FTEs	4	16	22	17	17	15
Direct FTEs	34.2	20.9	18.4	7.6	39	55
Total FTEs	47.9	34.6	32.4	11.9	50	71
Direct Labor Income	\$ 1,131,229	\$ 964,337	\$ 850,107	\$ 316,054	\$ 1,067,858	\$ 2,105,916
Total Labor Income	\$ 1,585,777	\$ 1,422,008	\$ 1,323,159	\$ 479,919	\$ 2,030,685	\$ 2,674,092

However, not all CFLRP goals have been realized:

- The volumes of timber and biomass made available through the program have not reached the anticipated “economies of scale” allowing “entrepreneurs the confidence that encourages initiative and investment” (Senate Report 110-370). Thus, challenges related to the utilization of biomass remain.
- The lack of 8(a) certified businesses in the region led to all of the contracts set aside for this business type being awarded to out of region contractors.
- The majority of contracts set aside for HUB Zone businesses went to businesses located outside the region, even though two counties in the local impact area and three counties in the regional impact area are certified HUB Zones due to high unemployment and/or low median incomes.
- While local retention of contract dollars increased through the CFLRP, there is no clear indication why. Conversations with contracting officers and other agency staff has not revealed a concerted effort towards creating local benefits. Whether the findings reported here are a result of pure coincidence or a change in the way the FS does business is undetermined.

Recommendations and Conclusions

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 Acts of 2012, 2014, 2016 and 2018, congress has

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 for restoration-type work. Region 5 developed a number of resources for acquisition staff which can be found in Appendix D. At a minimum, evaluation criteria for all CFLRP contracts should include points for utilization of local businesses, subcontractors and workers located in the local or regional impact areas. An example local benefit matrix adapted from the Sierra Institute for Environment and Community can be found in Appendix E.

2. Consider expanding socioeconomic monitoring to include biomass utilization and progress towards goal of reducing treatment costs

The utilization of restoration by-products is important for offsetting the cost of treatments. Better information is needed on the extent to which biomass and other less-valuable materials are being utilized, at what cost, and the barriers that exist in increasing utilization. The SW Crown Collaborative Monitoring Committee should consider investing in increased monitoring to determine what if any changes have occurred in regards to treatment costs and what lessons can be learned to contribute towards adaptive management.

3. Reward agency line officers and/or staff for achieving local benefit goals

Incentive and reward mechanisms within the US Forest Service exert significant influence on how and to what extent employees adopt new policies and procedures. Stewardship contracting and its best value provision are not new, but adoption of this new authority and its provisions have been uneven and tied to levels of local support. Forest Service staff in acquisition and timber should be encouraged to engage with collaborative and community

groups to discuss implementation goals and the available authorities that can be used. Staff and line officers should be rewarded for engaging with communities and collaboratives at all levels of the organization.

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APPENDIX A

METHODS

This study analyzes three mechanisms used by the Forest Service to accomplish land management goals: service contracts, timber sale contracts and agreements. Contract and agreement records from fiscal year 2008 through fiscal year 2015 were analyzed for work occurring in the tri-county impact area and compared to contract and agreement records for work funded through the NEW Forest Vision 2020 CFLRP between fiscal years 2012 and 2015.

Federal Land Management Service Contracting

Service contract records were downloaded from usaspending.gov, a public database that stores contract data for all federal agencies, and a dataset was compiled for all service contracts let by the Forest Service for land management activities awarded from FY 2008 through FY 2015 for work completed within three-county impact area. Federal agency personnel assign a Principle Place of Performance for each contract which designates the county in which the work was performed. Results from the impact area were analyzed to establish a reference point for comparing results found in the CFLRP contract dataset. Contract obligations funded through the CFLRP between FY 2012 and 2014 were identified in this dataset with help from Forest Service budget analysts and coded as such to be analyzed separately.

Federal agency personnel also assign a Product or Service Code (PSC) to each contract which describes the type of work being conducted or product being procured. Restoration

activities analyzed in this study were defined using the methods established in other similar studies (Almquist, Kauffman, and Ojerio 2007). The list of codes included in this analysis can be found at the end of this Appendix. Contract records were filtered using this PSC list grouped into five categories: equipment-intensive, labor-intensive, stewardship, technical and supplies (table 1A).

Table 1A - Work type example activities

Work Type	Most common examples
Technical	Architecture and Engineering Services; various natural resource studies and data collection
Equipment-Intensive	Maintenance, Alteration or Repair of Roads, Streets, Bridges (includes road decommissioning)
Labor-Intensive	Tree Planting; Other Range/Forest Improvement; Tree Thinning
Supplies	Floating drydocks, mineral construction materials
Stewardship	Contracts let under Stewardship Authority. Often combine sale of products (timber) with acquisition of services. Can generate revenue to fund additional restoration projects.

Federal Timber Sale Contracting

Timber sale data were compiled for all Forest Service timber sale contracts and Integrated Resource Timber Contracts (stewardship contracts) sold through the CFLRP by the Colville National Forest. Timber sale data were collected from the timber program Contracting Officers and their staff. Timber sale reports, called 2400-17 reports (Transaction Evidence Appraisal Summary and Report of Timber Sale), were manually entered into a spreadsheet. The 2400-17 report is only generated for sales that include some proportion of saw logs, have a stumpage value greater than \$2,000, and where the removal of timber is not part of a road construction contract. Therefore, the timber sale reports do not account for all timber

removed from the National Forests in the study area. As a result, it was not possible to analyze the effect that other timber sales (valued under \$2,000 or sales that did not include any saw logs) are having on the local communities and non-saw log timber users (such as post, pole and commercial firewood manufacturers).

Agreements

According to the Forest Service's *Partnership Guide* (2003), grants and agreements are types of partnerships in which the agency and other entities enter into "arrangements that are voluntary, mutually beneficial, and ... for the purpose of mutually agreed upon objectives." The Forest Service documents formal arrangements with a variety of instruments that fall within four categories: mutual benefit agreements, federal financial assistance, contracts and other agreements. The agreements included in this study fall into the first category—mutual benefit agreements where the agency and non-agency partner each contribute money, time and/or other resources towards accomplishing a shared goal.

Given that agreements are entered into for the purpose of achieving mutual benefit, they tend to engage existing local organizations, such as non-profits and other federal and state agencies. Thus, the proportion of agreements entered into by the agency with local versus non-local entities was not the only relevant measure. Changes in the total number and value of agreements prior to CFLRP and during CFLRP were compared, along with changes in the total number of organizations engaged through agreements during both time periods. Additionally, the value of resources brought to the agreements by non-agency partners was analyzed to assess whether these organizations are more successful attracting private dollars to the region after the designation of the SW Crown as a CFLRP project site. Results from

CFLRP agreements were compared to agreements in the three-forest reference area defined as the Lolo, Flathead and Helena National Forests.

List of Product or Service Codes

Service Code	Work Type	Product or Service Description
F001	Equipment	AERIAL FERTILIZATION - SPRAYING
F002	Equipment	AERIAL SEEDING SERVICES
F007	Equipment	RANGE SEEDING - GROUND EQ
W023	Equipment	LEASE-RENT OF VEHICLES-TRAILERS-CYC
Y222	Equipment	CONSTRUCT/HIGHWAYS-RDS-STS-BRDGS-RA
Y223	Equipment	CONSTRUCT/TUNNEL AND SUBSURF STRUCT
Y291	Equipment	CONSTRUCT/REC NON-BLDG STRUCTS
Z219	Equipment	MAINT-REPT-ALT/OTHER CONSV STRUCTURE
Z222	Equipment	MAINT-REP-ALT/HWYS-RDS-STS-BRDGS-RA
Z223	Equipment	MAINT-REP-ALT/TUNNELS-SUBSURF STRUC
Z291	Equipment	ENDED-MAINT-REP-ALT/RECREA NON-BLDG STRUC
F005	Labor	FOREST TREE PLANTING SERVICES
F006	Labor	LAND TREATMENT PRACTICES
F008	Labor	RECREATION SITE MAINT/NON-CONSTR
F009	Labor	SEED COLLECTION/PRODUCTION SERVICES
F010	Labor	SEEDLING PRODUCTION-TRANSPLANTING
F012	Labor	SURVEY LINE CLEARING SERVICES
F013	Labor	TREE BREEDING
F014	Labor	TREE THINNING SERVICES
F016	Labor	WILDHORSE/BURRO CONTROL SERVICES
F018	Labor	OTHER RANGE-FOREST IMPROV/NON-CONST
F019	Labor	OTHER WILDLIFE MANAGEMENT SERVICES
F020	Labor	FISHERIES RES MGMT
F021	Labor	SITE PREPARATION
F022	Labor	FISH HATCHERY SERVICES
F105	Labor	PESTICIDES SUPPORT SERVICES
G003	Labor	RECREATIONAL SERVICES
S207	Labor	INSECT AND RODENT CONTROL SERVICES
S208	Labor	LANDSCAPING/GROUNDSKEEPING SERVICES
Z300	Labor	MAINT, REP-ALT/RESTORATION
AA11	Technical	R&D-INSECT & DIS CONT-B RES
AH92	Technical	R&D-OTHER ENVIROMENT-A RES/EXPL DE
AJ52	Technical	R&D-LIFE SCIENCES-A RES/EXPL DEV
AP21	Technical	LAND (BASIC)
AP22	Technical	LAND (APPLIED/EXPLORATORY)
AP91	Technical	OTHER NATURAL RESOURCES (BASIC)
AV12	Technical	R&D-SUBSURFACE MINING EQ-A RES/EXPL
AZ11	Technical	R&D-OTHER R AND D-B RES
B502	Technical	AIR QUALITY ANALYSES
B503	Technical	STUDY/ARCHEOLOGICAL-PALEONTOLOGICAL
B504	Technical	STUDY/CHEMICAL-BIOLOGICAL
B506	Technical	LAND TREATMENT PRACTICES

B509	Technical	STUDY/ENDANGERED SPECIES-PLANT/ANIM
B510	Technical	STUDY/ENVIRONMENTAL ASSESSMENTS
B513	Technical	STUDY/FEASIBILITY-NONCONSTRUCT
B516	Technical	ANIMAL AND FISHERIES STUDIES
B517	Technical	GEOLOGICAL STUDIES
B519	Technical	GEOTECHNICAL STUDIES
B520	Technical	GRAZING/RANGE STUDIES
B521	Technical	HISTORICAL STUDIES
B525	Technical	NATURAL RESOURCE STUDIES
B527	Technical	RECREATION STUDIES
B529	Technical	SCIENTIFIC DATA STUDIES
B532	Technical	SOIL STUDIES
B533	Technical	WATER QUALITY STUDIES
B534	Technical	WILDLIFE STUDIES
B599	Technical	OTHER SPECIAL STUDIES AND ANALYSES
C122	Technical	ENDED-HIGHWAYS, ROADS, STREETS, BRIDGES, AND RAILWAYS
C211	Technical	ARCHITECT AND ENGINEERING- GENERAL: LANDSCAPING, INTERIOR LAYOUT, AND DESIGNING
C219	Technical	ARCHITECT AND ENGINEERING- GENERAL: OTHER
F099	Technical	OTHER NAT RES MGMT & CONSERV
F104	Technical	IND INVEST SURV/TCH SUP
F999	Technical	OTHER ENVIR SVC/STUD/SUP
R404	Technical	PROF SVCS/LAND SURVEYS - CADASTRAL
6810	Other	CHEMICALS

APPENDIX B

Small Business Administration Set-Aside Program

