

## Rural Voices for Conservation Coalition

*Working together to find solutions to the ecological and economic challenges of the rural West.*

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# Stewardship Contracting Briefing Paper

*Integrating social, economic, and ecological goals to restore public lands and benefit rural communities*

Stewardship contracting is an innovative way to create benefit for rural communities while collaboratively restoring public lands. Policy makers, managers, and communities are experimenting with implementation and quickly developing new approaches. During this phase of rapid change, we are seeing positive innovations in guidance to field units and in project creation. For example, the Forest Service's guidance about collaboration should help management units develop and implement strong collaboratives for stewardship contracting. At the same time, however, we are seeing some developments that may make effective implementation of stewardship contracting difficult.

This briefing paper outlines the fundamental principles of stewardship contracting, identifies some of the problems that we see emerging as stewardship contracting becomes institutionalized, and makes recommendations to improve guidance and implementation.

## Guiding Principles for Stewardship Contracting

The 10-year authority for stewardship contracting clearly states that the purposes of the authorities are to, "achieve land management goals for the national forests and the public lands that meet local and rural community needs" (P.L. 108-7) Stewardship contracting is fundamentally about creating integrated social, economic, and ecological benefits for public lands and nearby communities. To create these benefits, stewardship contracting projects should:

- ❖ Incorporate diverse participation in every phase of the project—from goal setting to project development to implementation and monitoring. Although federal land managers retain formal decision-making authority, communities and agency partners should collaborate throughout to achieve mutual goals.<sup>1</sup>
- ❖ Focus on the restoration of ecological processes and include a wide variety of activities rather than focusing on a single issue.
- ❖ Fit local economic capacity, build that capacity, and integrate with local economic development goals and strategies.
- ❖ Create opportunities for collective monitoring, learning, and adaptive management to increase knowledge and build trust among diverse interests.

<sup>1</sup> Requirements to collaborate can be seen in the Forest Service and BLM field guidance. The GAO also recommends increased collaboration and community involvement in its June 2004 review of stewardship contracting (GAO-04-652). Other authorities often used in conjunction with stewardship contracting such as the Health Forest Restoration Act, also require collaboration

## **Institutional Challenges Facing Stewardship Contracting**

Stewardship contracting has enormous potential for the federal land management agencies and their community partners. However, stewardship contracting faces several institutional barriers. In particular, successful implementation is often hampered by:

- ❖ Barriers to developing meaningful collaborations and delivering on the agreements that these groups make.
- ❖ Processes driven by targets and high-acreage, low-cost management, which short-change both ecological and socioeconomic goals.
- ❖ Lack of institutional support for providing community benefit.

## **Recommendations for Improvements**

- ❖ Develop targets for stewardship contracting accomplishments that are outcome oriented rather than output oriented and that address both the socioeconomic and ecological purposes of the authorities.
- ❖ Support agency guidance for collaboration with funding for agency staff time and incubating community collaborative capacity.
- ❖ Strengthen use of best value contracting to create community benefit and ensure high quality restoration activities by ensuring that evaluation criteria include technical proposal (ecological impact, community benefit, and utilization plan), past performance, and key personnel, and that these factors are weighted to be at least as important as price.
- ❖ Address multiple issues to restore ecosystem health, not just hazardous fuels reduction. When using stewardship contracting to undertake hazardous fuel reduction, ensure that the diverse socioeconomic and ecological goals and principles of stewardship contracting are incorporated into the project.
- ❖ Scale projects and contracts appropriately (size and duration) to match collaborative support, ecological need, and community capacity, and not just targeted outputs.
- ❖ Develop bonding requirements based on principles of 'shared risk' to lower costs to the federal government and access to contracts for local communities with limited business capacity.
- ❖ Use stewardship agreements when communities have limited contracting or utilization capacity, or when partners have resources to bring to the table.
- ❖ Permit the use of retained receipts to support project-level multiparty monitoring.

## Problems and Recommended Improvements Explained

### *Targets for stewardship contracting*

Stewardship contracting was created to achieve a broad set of ecological and sociological objectives. It was not created simply to ‘treat acres.’ In fact, projects that treat large numbers of acres, but do so without a collaborative process, without achieving multiple ecological objectives or without creating community social or ecological benefits, cannot be seen as successes because they do not meet the goals and objectives of stewardship contracting. We strongly recommend that evaluation criteria reflect the multiple goals of stewardship contracting and suggest the following evaluation measures (targets).

- ❖ Number and percentage of projects that were collaborative during multiple phases including collaboration prior to NEPA analysis.
- ❖ Number and percentage of projects involving hazardous fuels reduction that were prioritized in a community wildfire protection plan
- ❖ Number and percentage of projects that addressed multiple ecosystem needs
- ❖ Number and percentage of contracts awarded to local contractors and/or local subcontractors
- ❖ Percentage of total material removed that was used in value-added processing (locally and not)
- ❖ Number and percentage of projects that included structured training of local workers
- ❖ Number and percentage of projects that included project-level multiparty monitoring

### *Collaboration*

The Forest Service and BLM stewardship guidance directs management units to collaborate in the development and implementation of stewardship projects. To build meaningful, effective collaboratives, the agencies also need to invest in collaboration by funding staff time to participate in these collaborations and to incubate collaborative capacity of their partners.

### *Best value contracting*

Stewardship contracting requires that all contracts be awarded on a best value basis. This means that, when awarding contracts, the federal management agencies must consider the best value to the government, not simply the price that contractors offer. Because stewardship contracting is designed to meet diverse social, economic, and ecological goals, it is of vital importance that the best value criteria be developed and weighted to ensure that these goals are met. To ensure high quality ecological benefit, significant weight should be given to the ecological components of the technical proposal as well as key personnel and past performance of contractors. To ensure local benefit, significant weight should be given to the contractors that will create these benefits (including whether the contractors is local, the extent to which the contractor hires and trains local workers, and the extent to which material will be removed and processed locally).

### *Hazardous fuels reduction and stewardship contracting*

The Forest Service and BLM are under enormous political and ecological pressure to treat hazardous fuels quickly and inexpensively. The high acreage targets that management units face for fire hazard reduction reinforce these pressures. Stewardship contracting has much broader goals than undertaking hazardous fuel reduction across large landscapes. When a stewardship contracting

project involves hazardous fuel reduction, it should involve substantial collaboration, meet multiple ecological objectives, and create community benefit. Even when hazardous fuel reduction is a project objective, best value contracts should strongly consider factors other than price when awarding contracts to ensure that the projects create local ecological and socioeconomic benefit. A disproportionate emphasis on high-acre, low-cost treatments could undermine collaborative processes and the goals of ecosystem restoration and creating local benefit through local utilization of removed material.

*Collaboration*—Integrating stewardship projects that involve hazardous fuels reduction with community wildfire protection planning processes (CWPP) is one way to foster collaboration and mutual benefit. By linking with existing collaborative CWPP processes, managers can take advantage of pre-existing collaborative processes while stewardship contracting may provide opportunities to sustain hazardous fuels treatment.

*Community benefit*—Contractors that work to develop markets for traditionally low value material through utilization and value-added manufacturing may create more jobs and local economic benefit than those that do not remove material. However, the cost to remove this material may increase the cost per acre for treatment. Stewardship contracting, and the required best value criteria, should be used to reward contractors that are developing markets and increasing utilization; this will ensure that intended community benefits can be fully realized while stimulating new markets and supporting local entrepreneurs.

***Project scale—social agreement and ecological need***

Project size should vary with local ecological conditions and level of agreement. Management units probably need to undertake small projects and contracts initially so that the unit and its collaborators can learn about the stewardship process. Beginning with smaller projects is particularly important in areas with large amounts of controversy or a lack of trust of the management unit. By beginning with small projects, management units and their partners create strong foundations for future projects.

***Contract scale and community benefit***

Projects and contracts need to be scaled *appropriately* to meet local ecological, social, and economic conditions. There is no one correct size or duration of a stewardship project or contract. There are, however, conditions under which smaller or larger, shorter or longer projects and contracts will be appropriate.

*Duration*—In some instances, it may make great sense to enter into long-term stewardship contracts. For example, a long-term stewardship contract may be appropriate to jumpstart or advance a local restoration-based value-added manufacturing facility. In addition, contracts that spread work activities over a long period may create stable opportunities for small, local contractors and their employees that short-term, large contracts would not. However, it is equally important to consider the problems of monopoly and the consequences to contractors not awarded the contract. Long-term contracts that incorporate most or all of the restoration and utilization opportunities that a management unit might offer over a number of years may not be appropriate if it were to prevent the development or utilization of other local restoration capacity.

Size—Stewardship contracts should always be scaled to match the local contracting capacity in order to create local economic benefit. To implement large projects when there is limited local contracting capacity, activities can be broken into several contracts to make them more accessible to local businesses.

### ***Bonding***

Bonding is one way that the federal government protects itself from the risk of contractors defaulting on contracts. The federal government has traditionally required that timber sale purchasers provide substantial bonds to enter into a timber sale contract whereas it rarely requires bonds for service contracts. The high bonding requirements for traditional timber sales makes sense because, without a bond, the timber sale purchaser gains most of the benefit while the federal government shoulders much of the risk. In addition, many timber sale purchasers tend to be well capitalized and can afford these substantial bonds.

The stewardship-contracting environment is considerably different than the timber sale environment and bonding requirements should reflect the different benefits and risks. Unlike in the timber sale environment, the benefits of stewardship contracting are shared. The federal government gains considerably, through the restoration of public lands. In addition, because stewardship contracts are still experimental, contractors face considerable new risks.

Although it is important to protect the interests of the federal government when creating these contracts, it is also important that contractors are not overburdened with risk. Doing so, increases costs for the federal government by increasing bid prices to cover the costs of bonding and making fewer entities eligible to bid on stewardship contracts. Thus, bidding requirements should be based on principles of shared risk rather than simply minimizing risk to the federal government. Bonding can be made more affordable and accessible by only requiring bonding on one phase or task order at a time rather than for the entire contract at once. In addition, service contract items do not have to be bonded, and best value contracting can be used instead to ensure that the government has contracted with a highly qualified, fiscally responsible company.

To create community benefit, contracts will often need to be awarded to small and micro businesses that have limited bonding capacity. Excessive bonding requirements can prevent these contractors from bidding.

### ***Stewardship agreements***

To date, stewardship agreements have been an underutilized component of the authorities. The agreements authority can be a powerful tool for capacity building, training, and infrastructure development. Stewardship agreements may be appropriate when collaborating with a community that has limited contracting capacity to undertake stewardship contracts and/or when community organizations have financial or technical resources to bring to the table to assist with the implementation of stewardship projects.

### ***Retained receipts***

Multiparty monitoring is a core component of successful adaptive management. Because multiparty monitoring is a requirement of stewardship contracting, it is appropriate for retained receipts to be used to fund project-level multiparty monitoring. Retained receipts should be permitted for use on all phases of a collaborative, multiparty monitoring project from conception through implementation.

## **Who We Are**

The Rural Voices for Conservation Coalition is comprised of western rural and local, regional, and national organizations that have joined together to promote balanced conservation-based approaches to the ecological and economic problems facing the West. We are committed to finding and promoting solutions through collaborative, place-based work that recognizes the inextricable link between the long-term health of the land and well-being of rural communities. We come from California, Oregon, Washington, Idaho, New Mexico, and Montana.

## **For More Information**

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