

# Stewardship Contracting Issue Paper

Stewardship contracting is an innovative way to create benefit for rural communities while collaboratively restoring public lands. Land managers, communities, and policy makers are experimenting with implementation and quickly developing new approaches. The new versions of agency handbooks have addressed some of the early challenges and are leading to positive changes. We appreciate the willingness of the agencies to incorporate feedback from the field and their partners. The newly developed guidance will help field units emphasize restoration and community collaboration, which may lead to more broadly supported projects that provide tangible community benefits.

With the new guidance in hand, the task is now to ensure that the implementation of stewardship contracting in the field lives up to its potential. Examples of successful projects highlight the fact that stewardship can be an excellent tool for holistic and collaborative restoration. However, stewardship projects that meet this vision are the exception, not the norm. This briefing paper provides series of suggestions aimed at improving the effectiveness of stewardship contracting as a tool for providing rural community benefit through the collaborative restoration of public lands.

## GUIDING PRINCIPLES FOR STEWARDSHIP CONTRACTING

The 10-year authority for stewardship contracting 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) *The goals of stewardship contracting are to provide social, ecological, and economic benefits to 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 and project development to

implementation and monitoring. Although federal land managers retain formal decision-making authority, the interested parties should collaborate throughout the process.<sup>1</sup>

- Focus on the restoration of ecological processes and include a variety of activities rather than focusing on a single problem, such as hazardous fuels.
- Be scaled to fit the local economic capacity, help build that capacity, and integrate with local economic development goals and strategies.
- Create opportunities for collective learning, monitoring, and adaptive management to increase knowledge and build trust among diverse interests.

## INSTITUTIONAL CHALLENGES FACING STEWARDSHIP CONTRACTING

Stewardship contracting has promising potential for federal land management agencies, rural communities, forest contractors, and other interested parties. However, stewardship contracting faces many institutional barriers. In particular, successful implementation is often hampered by:

- Lack of agency staff, community partners, and contractors trained in the use of the authorities, collaboration, and contract mechanisms.
- Agency processes driven by targets and high-acreage, low-cost management, which short-change both ecological and socioeconomic goals.
- Barriers to developing meaningful collaborations and delivering on the agreements that these groups make.
- Lack of institutional support for providing community benefit.

<sup>1</sup> Requirements to collaborate can be seen in the Forest Service and BLM field guidance. The GAO also recommended 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.

## COALITION PARTNERS:

ALLIANCE OF FOREST WORKERS AND HARVESTERS • AMERICAN FORESTS • APPLGATE RIVER WATERSHED COUNCIL • CENTER FOR BIOLOGICAL DIVERSITY • CENTRAL OREGON INTERGOVERNMENTAL COUNCIL • COLLABORATIVE LEARNING CIRCLE • CONSERVATION NORTHWEST • ECOSYSTEM WORKFORCE PROGRAM • FLATHEAD ECONOMIC POLICY CENTER • FOREST ENERGY • FRAMING OUR COMMUNITY • GIFFORD PINCHOT TASK FORCE • HELLS CANYON PRESERVATION COUNCIL • JEFFERSON STATE FOREST PRODUCTS • JEFFERSON SUSTAINABLE DEVELOPMENT INITIATIVE • LAKE COUNTY RESOURCES INITIATIVE • LOMAKATSI RESTORATION PROJECT • MADRONE ENTERPRISES • MATTOLE RESTORATION COUNCIL • METHOW FOREST OWNERS' COLLABORATIVE • NORTHEAST WASHINGTON FORESTRY COALITION • NORTHWEST CONNECTIONS • OKANOGAN COMMUNITIES DEVELOPMENT COUNCIL • OREGON TROUT • PINCHOT PARTNERSHIP • RESOURCE INNOVATIONS • SALMON VALLEY STEWARDSHIP • SBS WOOD SHAVINGS • SIUSLAW INSTITUTE, INC. • SUSTAINABLE NORTHWEST • SWAN ECOSYSTEM CENTER • THE FOREST GUILD • WALLOWA RESOURCES • WATERSHED RESEARCH AND TRAINING CENTER • WILDLANDS CPR

## **RECOMMENDATIONS FOR IMPROVEMENT**

1. **Provide more training** to field staff and community partners about using the authorities, successful examples, developing collaborative projects, and multi-party monitoring. Train contracting officers in the use of stewardship contract mechanisms. Train contractors (both timber purchases and services contractors) about how to effectively bid on stewardship contracting projects.
2. **Develop targets and performance measures** for stewardship contracting accomplishments that are outcome rather than output oriented and that address both the socio-economic and ecological goals of the authorities.
3. **Provide funding** to foster increased community collaborative capacity and to help agency staff to participate in stewardship collaboratives.
4. **Strengthen use of best value contracting** to create community benefit and ensure high quality restoration activities. Make sure that evaluation criteria include technical proposal (ecological impact, community benefit, and utilization plan), past performance, and key personnel, and that these factors are weighted equal to or greater than price.
5. **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.
6. **Scale projects and contracts appropriately** (size and duration) to match collaborative support, ecological need, and contracting capacity, and not just targeted outputs.
7. **Develop bonding requirements** based on principles of ‘shared risk’ to lower costs to the federal government and improve access to contracts for local contractors with limited business capacity.
8. **Use stewardship agreements** when communities have limited contracting or utilization capacity, or when partners have resources to bring to the table.
9. **Require the use of prevailing wages** under the Service Contract Act whenever service activities are performed, whether in an Integrated Resource Contract-Timber (IRC Timber) or Integrated Resources Contract-Service (IRC Service) contract.
10. **Clarify the use of designation by prescription** on commercial timber products as authorized by Congress.
11. **Allow for the escalation of timber prices**, fuel, labor, and other costs in an IRC Service to account for changing prices and inflation.

## **PROBLEMS AND RECOMMENDED IMPROVEMENTS EXPLAINED**

### ***Training for field units, community partners, and potential contractors***

The outcomes from stewardship contracting have been highly variable. Many field units, community organizations, and contractors are unaware about the uses and opportunities of stewardship. *The agencies should provide more training to the field units, community partners, and contractors about how to develop effective stewardship projects.* Since stewardship is a collaborative endeavor, the training program should be offered to community partners and contractors as well as agency personnel. *Contractors should receive training about how to participate in stewardship collaboratives and how to effectively bid on stewardship projects. Specific technical training should also be provided to both timber and acquisition contracting officers to ensure that sufficient qualified personnel exist develop stewardship contracts.*

### ***Targets for stewardship contracting***

Stewardship contracting was created to achieve a broad set of ecological and sociological objectives, not simply to ‘treat acres.’ Projects that treat large numbers of acres, but do so without collaboration, meeting multiple ecological objectives or creating community benefits, cannot be seen as successes because they do not meet the diverse goals of stewardship contracting. *We recommend that evaluation criteria reflect the multiple goals of stewardship contracting and suggest the following performance measures (targets):*

- Number and percentage of projects that were collaborative during multiple phases including collaboration prior to NEPA analysis.
- Number and percentage of projects that “met rural community needs” as defined by the local collaborative group.
- 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 effective partnerships, *agencies need to provide funding to develop the collaborative capacity of their partners and fund sufficient agency staff time to participate in these collaborations.*

## **Best value contracting**

Stewardship contracting requires that all contracts be awarded on a best value basis, which allows the government to consider factors other than price. Because stewardship contracting is designed to meet diverse social, economic, and ecological goals, *it is vital that the best value criteria be developed and weighted to ensure that these goals are met.* To ensure sound ecological outcomes, 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 proposals that would create these benefits (including whether the contractor is local, the extent to which the contractor hires and trains local workers, and the extent to which material to be removed and processed is done so locally).

## **Hazardous fuels reduction and stewardship contracting**

The Forest Service and BLM are under political pressure to treat hazardous fuels quickly and inexpensively. 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.

## **Project scale, contract size, and social agreement**

Project size should be consistent with the level of agreement among the partners. Generally, management units should begin with small stewardship projects so that the unit and its partners can learn about the stewardship process. *Beginning with smaller projects is particularly important in areas with high controversy and/or a lack of trust.* By beginning with small projects and moving toward larger projects, management units and their partners can 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 when smaller or larger, shorter or longer projects and contracts may be appropriate.*

### **• Duration**

In some instances, it may be desirable to enter into long-term stewardship contracts. For example, a long-term stewardship contract may be appropriate to provide a consistent supply of restoration by-products to a 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. However, it is equally important to consider the problems of exclusion 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 prevents the development or utilization of other local restoration capacity. *The duration of projects should be considered in relation to local workforce capacity.*

### **• Size**

*Stewardship contracts should 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**

The new guidance from the agencies emphasizes the concept of shared risk and increased flexibility in bonding. These are helpful changes but it bears repeating that stewardship contracting is new for most contractors and *the agencies should ensure that contractors do not view bonding as a barrier to entry.* 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. *Federal agencies should provide training for their staff, their partners, and contractors about bonding requirements and how to use bonding to promote the concept of shared risk and help provide for rural community benefit.*

### ***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.*

### ***Service Contract Act wages***

Congress created the Service Contract Act to ensure that workers performing services for the federal government were paid fair wages. Many of the activities associated in stewardship contracts are similar to activities that are traditionally performed for the Forest Service under a service contract. *When these activities are performed using a stewardship contract, whether it is an IRC-Service or an IRC-Timber, these activities should be subject to Service Contract Act wages.* Requiring payment of these wages would increase community benefit by helping create quality jobs and decrease worker exploitation.

### ***Designation by prescription***

The stewardship contracting legislation exempts the agencies from the requirement to mark every tree that is to be cut. The new Forest Service handbook is not clear on the use of designation by prescription on commercial material. The intent of stewardship contracting is to develop more “performance based contracts” and designation by prescription can help achieve that goal while maintaining accountability for the timber removed. The Forest Service handbook should clarify the use of designation by prescription for commercial material.<sup>2</sup>

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<sup>2</sup> *Accountability within stewardship sales that use designation by prescription would be assured through several means. First, the best value criteria would ensure that a qualified and experienced contractor is selected to perform the work. Second, the prescription should provide clear guidance about which trees should be removed e.g. dominants, co-dominants, leave branchy trees, leave defect trees, etc. Third, random sample plots in each unit would be taken to ensure the fallen trees met the required stocking levels. Forest Service inspectors and/or contract administrators would inspect sample plots. If the Forest Service finds that the contractor is out of compliance the contractors could be subject to breach of contract, non-compliance, and/or penalties. Given that stewardship contracts are awarded on a best value basis that includes past performance, this is a strong incentive for the contractor to meet the contract requirements.*

### ***Allow Escalation on Integrated Resource Contract-Service***

Allow for the escalation of timber prices, fuel, labor, and other costs in an IRC Service to account for changing prices and inflation. Currently, an IRC Timber allows for price escalation on contracts more than three years. An IRC Service includes timber value up to \$100,000. If the price of that timber or other costs, such as fuel, increase, during the life of the contract there are no provisions to help offset the increased costs to the contractor. All IRC Service should include escalation on contracts longer than three years.

### ***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.

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