Synthesizing Economic and Financial Information Related to Biomass Removal

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Introduction

The Joint Fire Sciences Program funded a study to enhance the ability of federal land managers to address the economic and financial aspects of woody biomass removal as a component of fire hazard reduction treatments.

Study Objectives:

1) synthesize the body of economic and financial information and tools currently available to federal land managers in the West
2) identify managers' information needs and disconnects from available information
3) fill the gaps between existing information and tools versus managers' awareness of available information and access to tools

Methods

Annotated Bibliography

- includes web-based resources, peer-reviewed journal articles, Forest Service station publications, technical reports, and white papers concerning the financial and economic information related to biomass removal, fire hazard reduction, and small-diameter timber harvesting
- will be available on FRAMES web site in January 2010 (http://frames.nbii.gov/portal/server.pt)

Focus Groups

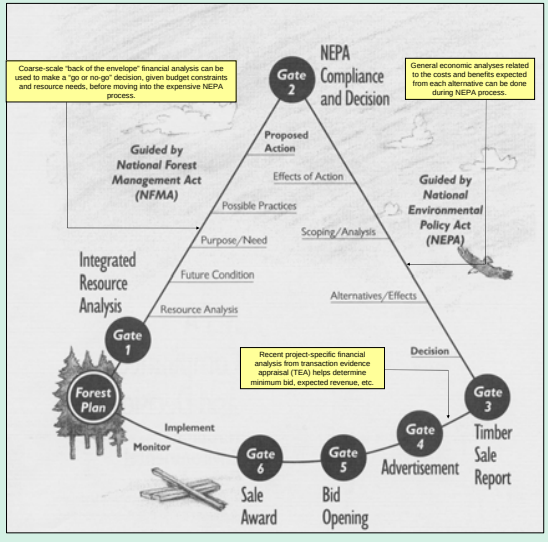
- conducted to understand role and need for financial and economic information in project planning, analysis, and implementation processes used by agency personnel
- participants included silviculturists, contracting officers, timber management officers, economists, fuels specialists, stewardship coordinators, and sale preparation specialists
- information needs and disconnects from available information were identified

Table 1 – Location of focus groups by region, forest, and park

Region 1 – MT & ID	**Region 4 – ID, UT & NV**
• Regional Office	• Regional Office
• Idaho Panhandle National Forest	• Bridger-Teton National Forest
• Kootenai National Forest	• Humboldt-Toiyabe National Forest
Region 2 – CO, SD, & WY	**Region 5 – CA**
• Regional Office	• Regional Office
• Arapaho-Roosevelt National Forest	• Klamath National Forest
• Medicine Bow National Forest	• Lassen National Forest
• Pike National Forest	• Tahoe National Forest
Region 3 – AZ & NM	**Region 6 – OR & WA**
• Regional Office	• Regional Office
• Apache-Sitgreaves National Forest	• Umatilla National Forest
• Cibola National Forest	• Wallowa-Whitman National Forest
• Coconino National Forest	• Willamette National Forest
• Kaibab National Forest	
	National Parks
	• Sequoia-Kings Canyon National Park
	• Yosemite National Park

Figure 1: U.S. Forest Service "Gate System"

Text boxes identify when and to what extent financial and economic analyses can be conducted to help ensure financial viability of projects, reduce unnecessary expenditures for NEPA analysis, and prevent "no-bid" sales.



Results

Drafts of the annotated bibliography are provided (as handouts) below.

A total of 25 focus groups were conducted in 6 regional offices, 17 national forests, and 2 national parks (Table 1), with a total of 97 agency personnel. On average, participants had 25 years of service with their agency and 6 years in their current position.

Focus groups identified several issues and information disconnects in two major areas:

- current process used for economic & financial analyses
- tools and information used for economic & financial analyses

Potential changes or improvements were also identified.

Current Process Used:

Targets & budgets:

- timber targets in CCF, while fuels targets in acres
- some acres are counted more than once
- annual budgets fluctuate, depend on meeting targets
- backlog of work and too many high-priority acres
- budget is rarely/never enough to meet resource needs

Timing & methods of financial & economic analyses:

- different information and tools are needed at different steps in project planning (fig. 1)
- different people perform analyses at different steps
- transaction evidence appraisal (TEA) used throughout National Forest System, often not until "Gate 3"
- many forests are "experimenting" with "home-grown" cost and revenue estimation methods
- "back-of-the-envelope" financial analysis is prevalent
- economic impacts of treatments on communities are frequently not well understood or quantified in NEPA process and documents

Importance & relevance of the financial & economic analysis:

- addressing resource needs and achieving desired forest conditions are much higher priorities than revenue
- revenue to help offset costs can be critical to project completion
- projects that go "no-bid" can represent "wasted" time and money
- members of NEPA teams may not be aware of costs associated with various proposed activities
- with exception of Stewardship Contracts most/all revenue does not stay on the forest or district
- possibility and relevance of financial analysis are limited without local harvesting and wood-processing infrastructure

Tools and Information Used:

- "information overload" is possible, with too much information for local personnel to sort through
- many tools are "data hungry" and research oriented
- tools and information are often not "scaled" to project size or agency process
- lack of comparable sales limits the usefulness of TEA
- tools need to be kept current, and ongoing training must be provided to relevant personnel
- tools need to be locally applicable or easily adjusted for local conditions
- knowledge of local market conditions, contractors, and activities on other ownerships is critical and should be kept current

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