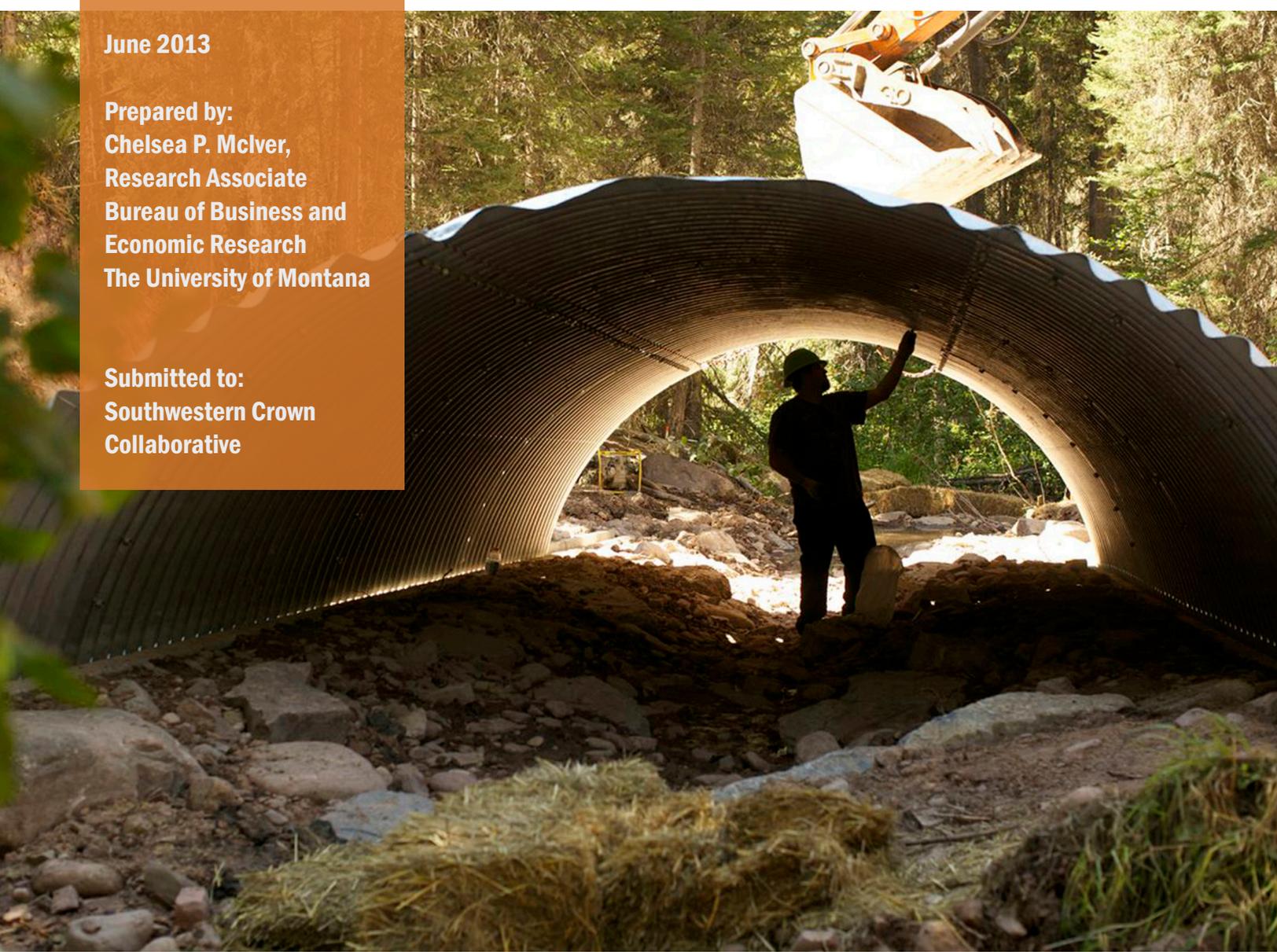


An Assessment of Local Contractor Participation in the Southwestern Crown of the Continent CFLRP Project

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Submitted to:
Southwestern Crown
Collaborative



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Table of Contents

Table of Contents	3
FIGURES	4
TABLES.....	4
EXECUTIVE SUMMARY	4
1.0 INTRODUCTION & PURPOSE	7
1.1 Importance of this Study.....	8
2.0 METHODS.....	10
2.1 Federal Land Management Service Contracting.....	11
2.2 Federal Timber Sale Contracting	13
2.3 Agreements	15
3.0 RESULTS	16
3.1 Service Contracting	16
3.2 Timber Sales	21
3.3 Agreements	23
4.0 DISCUSSION.....	24
4.1 Limitations and Assumptions.....	24
4.2 Recommendations.....	25
5.0 CONCLUSION.....	26
REFERENCES	28

FIGURES

Figure 1.1.1 Southwestern Crown of the Continent Project Area	8
Figure 2.0.1 SW Crown Local and Semi-Local Contractor Regions	11
Figure 2.1.1 SW Crown Service Contracting Study Area	12
Figure 2.1.2 SW Crown CFLRP Project Boundary and Reference Area	12
Figure 2.2.1 SW Crown Timber Sale Contract and Agreement Reference Area	14
Figure 3.1.1 Annual restoration spending in the SW Crown study area, 2005-2011	17
Figure 3.1.6 Contract capture rates, various years.....	21

TABLES

Table 2.1.2 Work type example activities	13
Table 3.1.2 USFS contract expenditures by year and contractor location, FY 2005-2011	17
Table 3.1.3 USFS Contract expenditures by year and work type, FY 2005-2011	18
Table 3.1.4 Average award size by work type and contractor location, FY 2005-2011	19
Table 3.1.5 CFLRP contract expenditures by year and contractor location, FY 2010-11.....	20
Table 3.2.1 Volume of Timber Sold by Year and Purchaser Location, 2005-2009	21
Table 3.2.2 Volume Sold by Contract Type and Purchaser Location, 2005-2009	22
Table 3.3.1 Total Forest Service cash to partners and partner in-kind contributions by year, FY2005-2011	23

**Local Contractor Participation in the
Southwestern Crown of the Continent CFLRP Project**

EXECUTIVE SUMMARY

In 2012, the Bureau of Business and Economic Research (BBER) at the University of Montana was contracted to conduct a study of local participation in the Southwestern Crown of the Continent (SW Crown) Collaborative Forest Landscape Restoration Program (CFLRP) project to measure the opportunities and benefits the program is bringing to 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 SW Crown. The findings indicate that the SW Crown has robust contractor and nonprofit capacity for engaging in restoration activities while additional opportunities exist for these entities to expand into new and existing areas of work.

The study analyzed CFLRP spending patterns and compared them to similar restoration activities occurring in a 5-county reference area surrounding the SW Crown project boundary. Contract and agreement records from fiscal year 2005 through fiscal year 2011 were analyzed for work occurring in the 5 reference counties and compared to contract and agreement records for work funded through the CFLRP during fiscal years 2010 and 2011. To measure the extent to which local contractors were participating in land management activities funded through the CFLRP as compared to activities in the reference area, the author worked with the SWCC's socioeconomic monitoring committee and economists with the Forest Service to define four categories of contractors by location: Local, Semi-local, Montana, and Out-of-state.

The study found that annual service contract spending on restoration activities increased from roughly \$2 million in fiscal year 2005 to over \$5 million in fiscal year 2011. Local contractors were slightly less successful, in terms of dollar value, at capturing CFLRP *service* contracting opportunities as compared to opportunities in the reference counties. However, when combined with semi-local contractors, this group was significantly more successful in capturing CFLRP opportunities. Capture rates varied significantly according to the type of work being conducted. Local and semi-local contractors captured 82 percent of equipment-intensive contract value and 100 percent of technical contract value, but only 31 percent of labor-intensive and none of the product procurement value.

The study also found that the total volume of timber sold annually by the three forests in the reference area (Lolo, Flathead, and Helena National Forests) varied during the period from about 50 million board feet (MMBF) in fiscal year 2005 down to 24 MMBF in fiscal year 2011. Nearly all timber sales in the reference area were purchased by Montana firms, with two purchased by firms whose address could not be located. Of the 28 stewardship contracts sold, one was purchased by an out-of-state firm. Only three timber sales were sold during the first two years of the CFLRP, generating just over 3 million board feet (MMBF) in timber volume, one of which was offered as a stewardship contract.

Finally, the study found that over \$2 million was invested through the CFLRP during fiscal years 2010 and 2011 in agreements with 17 local organizations and state and federal agencies. These funds were leveraged by an additional \$1.5 million in cash and in-kind donations provided by partner organizations. More than 80 percent of the funds invested through CFLRP went to local non-profits and an additional 17 percent went to various state agencies in Montana. The

remaining three percent was split between federal agencies and non-profit organizations in other parts of Montana and the United States.

1.0 INTRODUCTION & PURPOSE

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.” 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 2010, the Southwestern Crown of the Continent Collaborative (SW Crown) in western Montana was selected as one of the first 10 projects in the nation, providing an opportunity to measure the participation of local businesses and non-profits in meeting the restoration objectives of the SW Crown Collaborative (SWCC) over time. The purpose of this study is to quantify and describe local business and organizational participation in the SW Crown CFLRP project and compare the results with non-CFLRP trends. The results of the study will help guide the development of restoration opportunities that accomplish both forest health and community benefit objectives.

1.1 Importance of this Study

The SWCC encompasses approximately 1.5 million acres, 59 percent of which is managed by the Forest Service (fig. 1.1.1). The communities within the SW Crown are surrounded by the Lolo, Flathead and Helena National Forests and have historically been dependent upon forest-based industries such as logging and wood products manufacturing. As

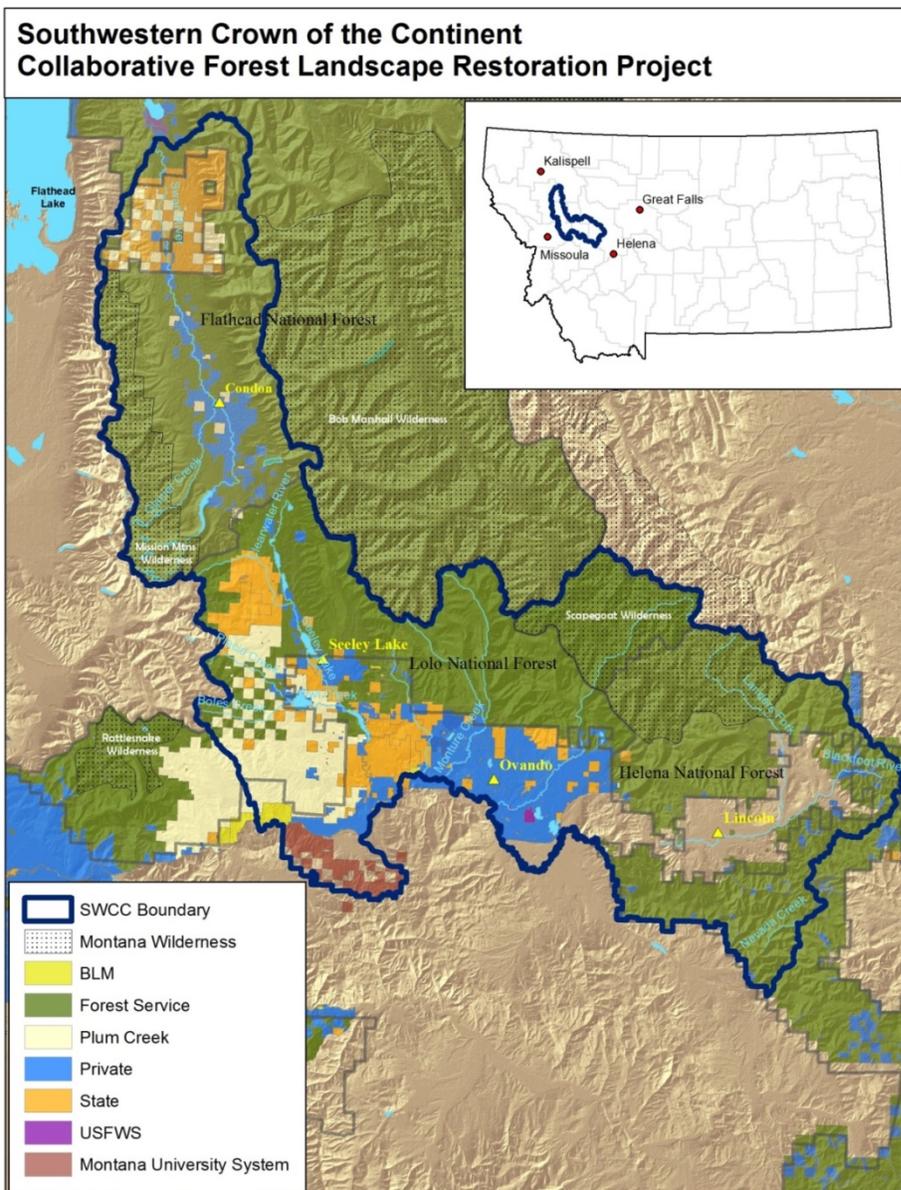


Figure 1.1.1 Southwestern Crown of the Continent Project Area

timber harvest levels on National Forests in Montana have declined over the last two and a half decades, jobs associated with the removal, transport and processing of timber have also declined (McIver et al. In press; Spoelma et al. 2008). These impacts have been especially hard for communities dependent upon federal land management, such as those in the study area.

Research by Moseley (2002) has shown that traditional service and timber contracts often do not meet the needs of rural communities by virtue of being inaccessible to small businesses and sole proprietors. This phenomenon was corroborated through interviews with forest contractors in the Swan Valley of northwestern Montana who reported finding the federal contracting system to be hard to navigate and stay abreast of upcoming opportunities (Bookwalter 2011).

The purpose of this study is to understand the extent to which local contractors, organizations and workers are benefiting from CFLRP opportunities in the SW Crown. We do this by measuring the rate of local contractor participation in the SW Crown CFLRP project and compare these rates to similar restoration activities occurring in a 5-county reference area surrounding the SW Crown project boundary. In addition, the project provides an assessment of the implications of defining the term “local” by conducting the analysis at multiple geographic scales. The results of this study help to understand 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 and program funding.

2.0 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 2005 through fiscal year 2011 were analyzed for work occurring in a reference area surrounding the SW Crown project boundary and compared to contract and agreement records for work funded through the CFLRP in the SW Crown during fiscal years 2010 and 2011.

Defining Local

To measure the extent to which local contractors were participating in land management activities funded through the CFLRP as compared to activities in the reference area, the author worked with the SWCC's socioeconomic monitoring committee and economists with the Forest Service to define four categories of contractors by location: Local, Semi-local, Montana, and Out-of-state. *Local* contractors were those with primary business addresses in the following five counties: Flathead, Lake, Lewis and Clark, Missoula and Powell counties. *Semi-local* contractors were those with primary business addresses in an additional four adjacent counties known to have either important timber-processing or workforce capacity: Broadwater, Mineral, Ravalli and Granite counties (fig. 2.1.1). *Montana* contractors were defined as those with primary business addresses in Montana and not included in either the local or semi-local categories. Finally, *out-of-state* contractors were defined as those with primary business addresses outside of Montana. The combined local and semi-local counties constitute the economic impact area used by Forest

Service economists to estimate job and labor income impacts of restoration through the model TREAT (Treatment for Restoration Economic Analysis Tool).

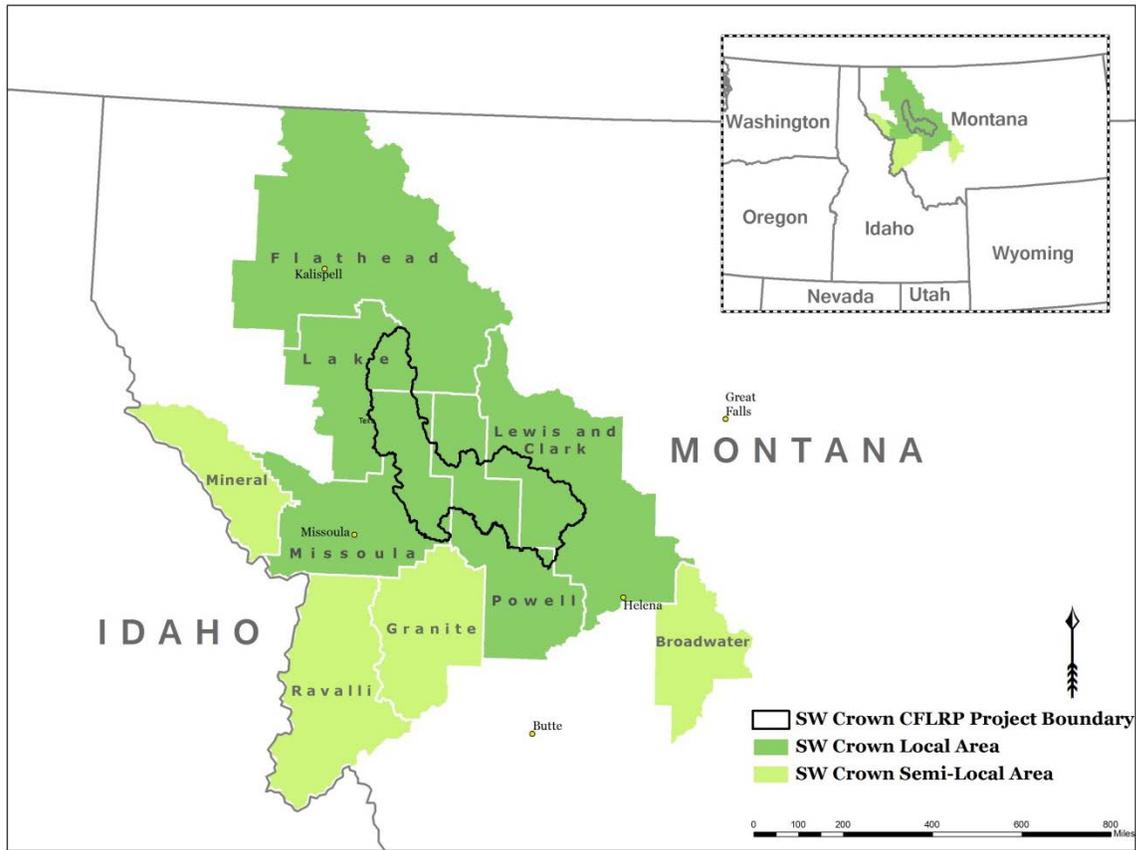


Figure 2.0.1 SW Crown Local and Semi-Local Contractor Regions

2.1 Federal Land Management Service Contracting

Service contract records were downloaded from the Federal Procurement Data System (FPDS), 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 2005 through FY 2011 for work completed within a 5-county reference area surrounding the SW Crown project boundary. Federal agency personnel assign a Principle Place of Performance for each contract which designates the county in which the work was performed. Records were downloaded for each of the 5 counties in the reference area: Flathead, Lake, Lewis

and Clark, Missoula and Powell counties (fig. 2.1.2). Results from the reference area were analyzed to establish a reference point for comparing results found in the CFLRP contract dataset. Contract obligations funded through the CFLRP during FY 2010 and 2011 were identified in this dataset with help from Forest Service budget analysts and coded as such to be analyzed separately.

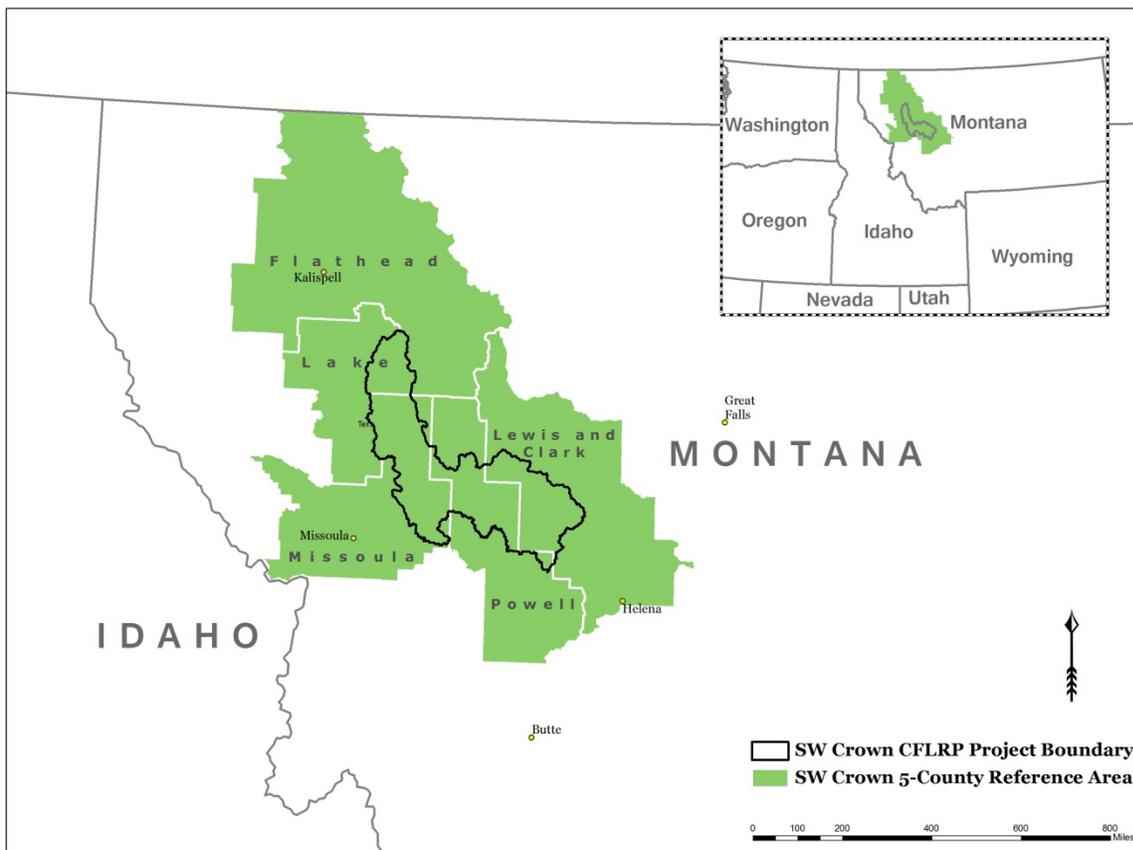


Figure 2.1.1 SW Crown CFLRP Project Boundary and Reference Area

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). Based upon the spending patterns of the SW Crown CFLRP during FY 2010 and 2011 collected from Forest Service budget staff additional codes

were added to the list. The list of codes included in this analysis can be found in Appendix A. Contract records were filtered using this PSC list grouped into four categories based on the type of work using methods established by Almquist et al. (2007) and Moseley (2001) and refined for this study: equipment-intensive, labor-intensive, technical and products (table 2.1.3). The category *Products* was added to identify the procurement of products rather than services. In addition, three PSCs were added to the Technical category for various Architecture and Engineering services, and two PSCs were added to the Equipment-intensive category to capture 1) the lease and rental of equipment from businesses performing associated heavy equipment-type activities and 2) maintenance, alteration and repair of recreational facilities.

Table 2.1.2 Work type example activities

Work Type	Most common examples
Technical	Architecture and Engineering Services; Other Natural Resource Management and Conservation (includes stewardship contracts)
Equipment-Intensive	Maintenance, Alteration or Repair of Roads, Streets, Bridges (includes road decommissioning)
Labor-Intensive	Tree Planting; Other Range/Forest Improvement; Tree Thinning
Products	Chemicals

2.2 Federal Timber Sale Contracting

Timber sale data were compiled for all Forest Service timber sale contracts and Integrated Resource Timber Contracts (stewardship contracts) sold from FY 2005 through FY 2011 within a reference area defined as the Lolo, Flathead and Helena National Forests (fig 2.2.1). With help from Forest Service timber program staff, timber sales and stewardship contracts sold through the SW Crown CFLRP were identified and coded in the dataset to be analyzed separately.

Timber sale records for each of the three forests in the reference area 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 (generally 9 inches dbh or greater), 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).

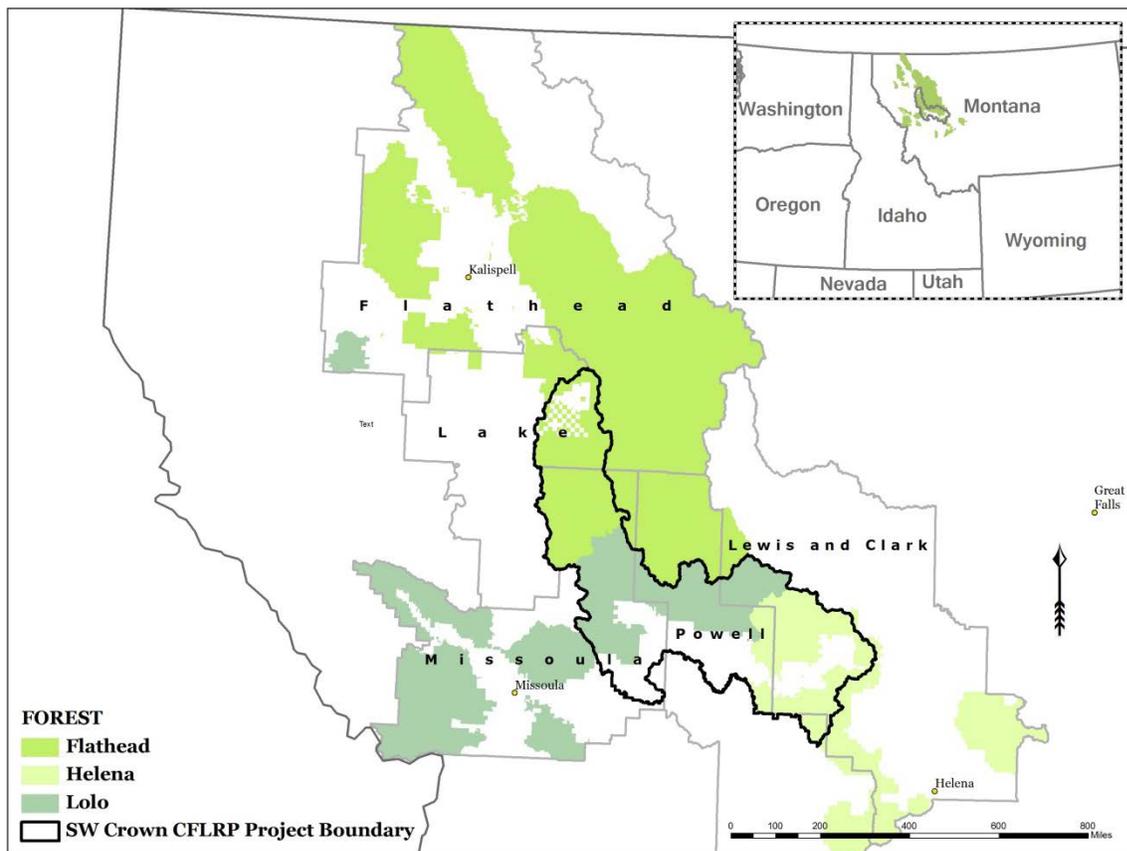


Figure 2.2.1 SW Crown Timber Sale Contract and Agreement Reference Area

2.3 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.

3.0 RESULTS

3.1 Service Contracting

Annual contract expenditures for restoration in the reference area have been increasing from \$2.1 million in 2005 to \$5.6 million in 2011¹ (fig. 3.1.1). Fiscal years 2009 and 2010 were exceptionally high at \$9.5 million and \$12.7 million, respectively. Between FY 2005 and 2011, 138 local contractors captured an average of 60 percent of the total contract value, for a total of \$24.6 million. Of the \$24.6 million captured locally, firms from Missoula County led the group capturing 20 percent of total expenditures between FY2005 and 2011, followed by Flathead County contractors, who captured 18 percent, and Lewis and Clark County contractors with 13 percent of the total (table 3.1.2). Out-of-State contractors were the second largest recipient of contract dollars, capturing 26 percent of total expenditures.

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

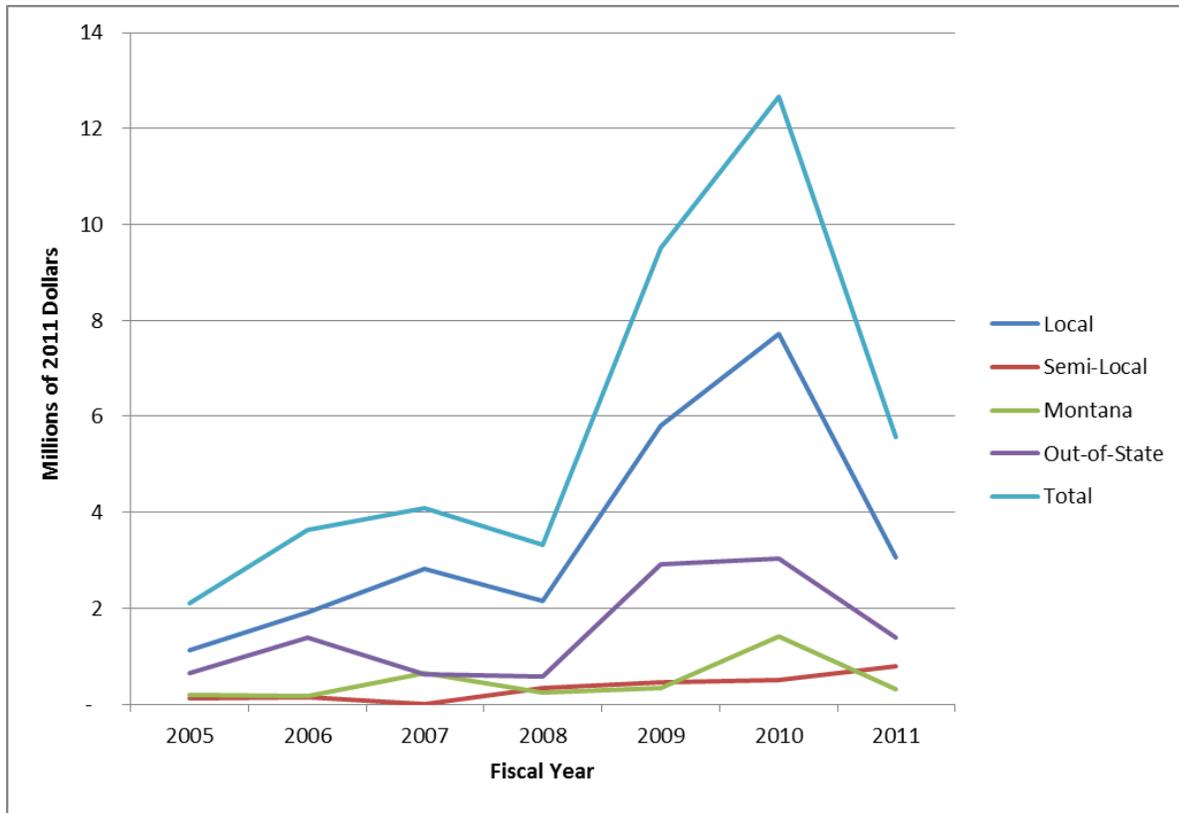


Figure 3.1.1 Annual restoration spending in the SWCC study area, FY 2005-2011

Table 3.1.2 USFS contract expenditures by year and contractor location, FY 2005-2011

Table 3.1.1 - USFS Contract Expenditures by Year and Contractor Location, 2005-2009.

Contractor Location	Pre-CFLRP					Non-CFLRP		Total
	FY05	FY06	FY07	FY08	FY09	FY10	FY11	
-----2011 dollars-----								
Local	1,128,837	1,920,092	2,821,251	2,164,239	5,813,391	7,726,298	3,071,931	24,646,040
Flathead	323,839	447,807	1,721,214	890,802	1,081,977	1,492,144	1,561,493	7,519,276
Lake	28,303	29,545	(1,020)	23,763	1,182,442	1,376,205	197,594	2,836,832
Lewis & Clark	182,325	616,288	707,172	533,633	784,122	2,169,872	335,453	5,328,866
Missoula	421,221	743,827	393,885	571,039	2,643,435	2,529,587	822,828	8,125,822
Powell	173,149	82,625		145,003	121,415	158,490	154,563	835,244
Semi-Local	124,322	148,848	(4,715)	333,914	454,281	510,659	793,613	2,360,923
Other Counties in MT	195,009	168,844	644,082	246,286	333,405	1,402,686	321,807	3,312,119
Other states	648,697	1,384,555	617,201	572,655	2,907,711	3,033,110	1,388,884	10,552,813
Total	2,096,865	3,622,340	4,077,819	3,317,094	9,508,788	12,672,753	5,576,235	40,871,894
-----percentage of total-----								
Local	54%	53%	69%	65%	61%	61%	55%	60%
Flathead	15%	12%	42%	27%	11%	12%	28%	18%
Lake	1%	1%	0%	1%	12%	11%	4%	7%
Lewis & Clark	9%	17%	17%	16%	8%	17%	6%	13%
Missoula	20%	21%	10%	17%	28%	20%	15%	20%
Powell	8%	2%	0%	4%	1%	1%	3%	2%
Semi-Local	6%	4%	0%	10%	5%	4%	14%	6%
Other Counties in MT	9%	5%	16%	7%	4%	11%	6%	8%
Other states	31%	38%	15%	17%	31%	24%	25%	26%
Total	100%	100%	100%	100%	100%	100%	100%	100%

^aNegative values represent de-obligated funds

Forest Service spending by work type varied widely from year to year. On the average, equipment-intensive contracts have been the leading work type in terms of total contract value, accounting for 45 percent of spending between FY 2005 and FY 2011, likely due in part to the high cost of the heavy equipment and the high compensation rates for skilled equipment operators. Technical contracts were the second leading work type in terms of total contract value, accounting for 37 percent, followed by labor-intensive contract obligations, accounting for 17 percent. Product procurement accounted for the remaining 1 percent (table 3.1.3). Local contractors successfully captured 69 percent of equipment-intensive contract dollars, 65 percent of technical contract dollars, 29 percent of labor-intensive contract dollars, and 7 percent of product procurement dollars.

Table 3.1.3 USFS contract expenditures by year and work type, FY 2005-2011

Work Type	Pre-CFLRP					Non-CFLRP		Total
	FY05	FY06	FY07	FY08	FY09	FY10	FY11	
-----2011 dollars-----								
Equipment-intensive	845,440	806,411	2,844,644	1,321,435	3,046,644	8,086,075	1,400,667	18,351,317
Labor-Intensive	381,505	1,254,588	269,166	944,761	1,179,520	1,699,461	1,403,787	7,132,788
Technical	813,563	1,513,420	921,481	1,011,019	5,272,700	2,861,874	2,709,896	15,103,953
Products	56,357	47,921	42,528	39,879	9,924	25,343	61,885	283,837
Total	2,096,865	3,622,340	4,077,819	3,317,094	9,508,788	12,672,753	5,576,235	40,871,894
-----percentage of total-----								
Equipment-intensive	40%	22%	70%	40%	32%	64%	25%	45%
Labor-Intensive	18%	35%	7%	28%	12%	13%	25%	17%
Technical	39%	42%	23%	30%	55%	23%	49%	37%
Products	3%	1%	1%	1%	0%	0%	1%	1%
Total	100%	100%	100%	100%	100%	100%	100%	100%

For all contract obligations between FY 2005 and 2011, the average award size for local contractors was \$22,426, compared to \$22,581 for local and semi-local contractors combined, and \$35,412 for out-of-state contractors (table 3.1.6). 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 products. The most notable discrepancy in average award size was found between local and non-local contractor locations in the equipment-intensive and labor-intensive categories. The average award size for equipment-

intensive contract obligations captured by local contractors was \$29,846 compared to \$71,458 for non-local contractors. Similarly, the average award size for labor-intensive contract obligations captured by local contractors was \$10,237 compared to \$39,674 for non-local contractors.

Table 3.1.4 Average award size by work type and contractor location, FY 2005-2011

Contractor Location	Equipment	Technical	Labor	Product	All Work Types
Local	28,846	21,499	10,237	19,044	22,426
Local + Semi-Local	29,056	22,294	9,531	19,044	22,581
Non-Local	71,458	21,905	39,674	19,745	35,412
All Contractors	33,185	21,429	20,206	16,696	25,107

Seventy-one percent of the contracts captured by local firms were less than \$25,000 in value, and 26 percent were under \$5,000. In comparison, half of the contracts captured by out-of-state firms were greater than \$25,000 and 12 percent were over \$100,000 in value. Across all contracts, the majority (41 percent) of service contracts were in the \$5,000-\$24,999 range. Contractors in the local, semi-local and other Montana counties categories were most likely to have a contract in this size class, while out-of-state contractors were most likely to have a contract in the \$25,000-\$99,999 range.

CFLRP

Capture rates for local contractors varied between the reference area and the CFLRP project area. In total, 138 local contracting firms captured 60 percent of contract value in the reference area (FY 2005 through FY 2011) compared to only 51 percent of CFLRP contract value (table 3.1.4). However, when local and semi-local contractors are combined, contractors in this region were far more successful capturing contract dollars through CFLRP (86 percent) than the same group in the reference area (66 percent) (fig 3.1.5).

Table 3.1.5 CFLRP contract expenditures by year and contractor location, FY 2010-11

County	FY10	FY11	Total
-----2011 dollars-----			
SWCC	311,037	834,114	1,145,151
Flathead	-	726,936	726,936
Lake	-	-	-
Lewis & Clark	-	-	-
Missoula	181,807	234,699	416,507
Powell	129,230	(127,522)	1,708
Semi-Local	44,459	743,165	787,623
Other Counties in MT	-	-	-
Other states	184,828	112,849	297,677
Total	540,324	1,690,128	2,230,452
-----percent of total-----			
SWCC	58%	49%	51%
Flathead	0%	43%	33%
Lake	0%	0%	0%
Lewis & Clark	0%	0%	0%
Missoula	34%	14%	19%
Powell	24%	-8%	0%
Semi-Local	8%	44%	35%
Other Counties in MT	0%	0%	0%
Other states	34%	7%	13%
Total	100%	100%	100%

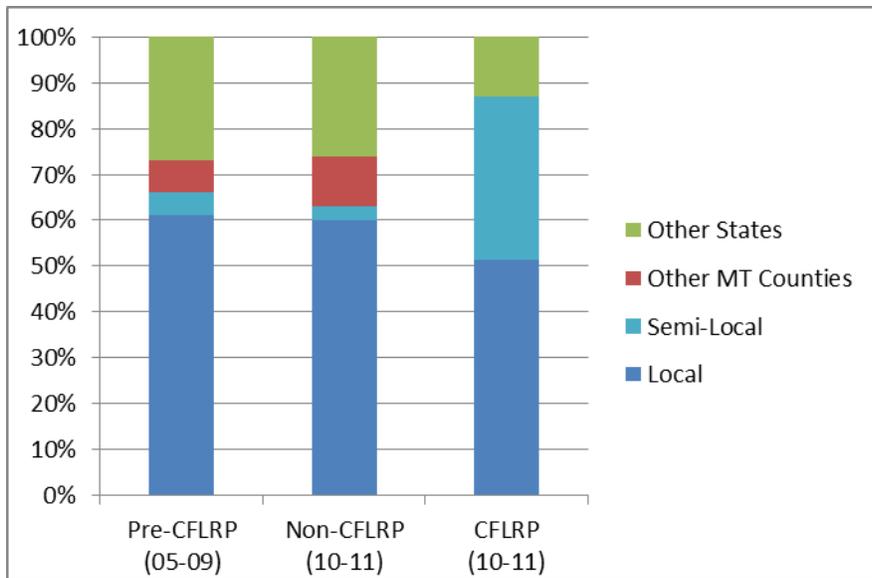


Figure 3.1.6 Contract capture rates, various years.

Sixty-four percent of CFLRP contract captured by local firms were under \$25,000 in value.

The proportion of contracts captured by local contractors in the two highest classes (greater than \$25,000) increased from 28 percent prior to CFLRP to 31 percent for non-CFLRP contracts

during FY 2010 and 2011 to 36 percent for CFLRP contracts. This trend equated to increases in the average award size for local contractors from \$30,627 prior to CFLRP, \$39,400 for non-CFLRP contracts and \$45,806 for CFLRP contracts.

3.2 Timber Sales

Between FY 2005 and FY 2011, 104 timber sales were sold on the Flathead, Helena and Lolo National Forests accounting for roughly 300 million board feet (MMBF) (table 3.2.1). The total annual harvest on these three forests averaged roughly 49 MMBF, reaching a high of 59 MMBF in FY 2009 and a low of 24 MMBF in FY 2011. Seventy-one percent (214.5 MMBF) of all volume sold during this time period was purchased by firms in the SW Crown. Another 23 percent was purchased by semi-local firms, and the remaining 5 percent went to firms in other counties in Montana. Only 0.5 MMBF (<1 percent) of timber was purchased by out-of-state firms.

Table 3.2.1 Volume of Timber Sold by Year and Purchaser Location, FY 2005-2011

Contractor Location	FY05	FY06	FY07	FY08	FY09	FY10	FY11	Total
-----thousand board feet-----								
Local	22,334	40,447	50,812	20,438	39,573	19,207	21,736	214,547
Flathead	16,666	23,706	22,668	16,368	28,645	4,729	20,669	133,451
Lake	-	-	-	-	1,806	-	-	1,806
Lewis & Clark	47	151	-	-	-	-	-	198
Missoula	5,621	12,673	28,144	4,070	9,122	14,428	1,067	75,125
Powell	-	3,917	-	-	-	50	-	3,968
Semi-Local	25,888	-	309	21,054	7,906	12,481	2,086	69,724
Other Counties in MT	1,231	1,851	391	-	11,966	-	-	15,439
Other states	289	233	-	-	-	-	-	522
Total	49,742	42,531	51,512	41,492	59,445	31,688	23,823	300,233
-----percentage of total-----								
Local	45%	95%	99%	49%	67%	61%	91%	71%
Flathead	34%	56%	44%	39%	48%	15%	87%	44%
Lake	0%	0%	0%	0%	3%	0%	0%	1%
Lewis & Clark	0%	0%	0%	0%	0%	0%	0%	0%
Missoula	11%	30%	55%	10%	15%	46%	4%	25%
Powell	0%	9%	0%	0%	0%	0%	0%	1%
Semi-Local	52%	0%	1%	51%	13%	39%	9%	23%
Other Counties in MT	2%	4%	1%	0%	20%	0%	0%	5%
Other states	1%	1%	0%	0%	0%	0%	0%	0%
Total	100%							

Of the 104 sales sold between FY 2005 and 2011, 25 were Integrated Resource Timber Contracts (stewardship contracts) and represented 82 MMBF, or 27 percent of the total volume sold (Table 3.2.2). The majority (78 percent) of the volume sold via timber sale contract, and 54 percent of the volume sold via stewardship contract, were purchased by local firms. Finally, 16 timber sales were purchased by mills or independent logging firms located in rural communities within the SW Crown project boundary (Condon, Lincoln and Seeley Lake).

Table 3.2.2 Volume Sold by Contract Type and Purchaser Location, FY 2005-2011

Contractor Location	Timber	Stewardship	Total
-----thousand board feet-----			
Local	170,052	44,496	214,547
Flathead	106,515	26,936	133,451
Lake	-	1,806	1,806
Lewis & Clark	198		198
Missoula	59,371	15,754	75,125
Powell	3,968	-	3,968
Semi-Local	40,476	29,249	69,724
Other Counties in MT	7,238	8,202	15,439
Other states	289	233	522
Total	218,054	82,179	300,233
-----percentage of total-----			
Local	78%	54%	71%
Flathead	49%	33%	44%
Lake	0%	2%	1%
Lewis & Clark	0%	0%	0%
Missoula	27%	19%	25%
Powell	2%	0%	1%
Semi-Local	19%	36%	23%
Other Counties in MT	3%	10%	5%
Other states	0%	0%	0%
Total	100%	100%	100%

CFLRP

A total of eight timber sales were sold during FY 2010 and 2011 under the Collaborative Forest Landscape Restoration Program. Of these, four were not included in this analysis because they were under \$2,000 in appraised value or did not include any saw log material. All four of these sales occurred on the Lincoln District of the Helena National Forest. In addition, one sale was offered during this time frame but did have any bidders. The remaining three sales accounted for approximately 3 MMBF, one-third of which (approx. 1 MMBF) was offered via stewardship contract. All three sales were purchased by local firms and two were purchased by firms located in the rural communities within the SWCC project boundary (see Fig 2.2.1).

3.3 Agreements

Between FY 2005 and 2011, the Flathead, Helena and Lolo National Forests invested \$7.6 million in agreements with 43 entities including nonprofits, universities, and state and federal agencies in the SW Crown reference area. Annual investments ranged from \$339,310 in 2006 to over \$2 million in 2008. Cooperators contributed an additional \$4.8 million dollars in cash and in-kind contributions. Of the dollars invested by the Forest Service, 81 percent went to 31 local non-profits and universities and another 17 percent went to 2 state agencies. The remaining three percent was split between three federal agencies, one university and two entities located in other parts of Montana and the United States.

Table 3.3.1 Total Forest Service cash to partners and partner in-kind contributions by year, FY2005-2011

	2005	2006	2007	2008	2009	2010	2011	Total
	-----2011 dollars-----							
FS Cash to Partner	461,500	339,631	1,157,810	2,048,306	873,750	842,744	1,913,803	7,637,543
Partner In-Kind Contributions	361,212	786,207	1,306,169	493,240	559,404	441,573	837,012	4,784,818
Total	822,712	1,125,839	2,463,979	2,541,545	1,433,154	1,284,317	2,750,815	12,422,361

CFLRP

As stated in the methods section, with the designation of the SW Crown as a CFLRP project site, all work accomplished in the project area through agreements are falling under the CFLRP. During the first two years of CFLRP implementation, the Forest Service invested \$2.1 million dollars in agreements with 17 entities. Of the dollars invested, 94 percent went to 14 local non-profits and universities, 5 percent went to two state agencies and the remaining one percent went to one federal agency. Cooperators brought an additional \$1.5 million in cash and in-kind contributions to the mutual benefit projects (CFLRP numbers will not match table 3.3.1 because the Forest Service did not begin obligating money through the CFLRP until late in FY 2010, so only a portion of the funds represented in the table for FY 2010 are applied to CFLRP).

The \$2.1 million invested by the Forest Service was used to support both project implementation and monitoring efforts. Monitoring accounted for \$462,995, or roughly 22 percent of total spending, with an additional \$250,228 contributed by partners. The remaining funds (\$1.7 million) were combined with additional partner contributions (\$1.1 million) to implement mutual benefit projects on the ground.

4.0 DISCUSSION

4.1 Limitations and Assumptions

This study provides a picture of Forest Service contracting and agreement trends in the study area for the period FY 2005 through FY 2011. It is largely a descriptive analysis, and while it provides detailed information about contracting trends (the “what”), it is not always possible to explain the factors and forces causing these trends (the “why”). The data used for this study are also limited to awards made to prime contractors and organizations and do not capture

subcontracting through service and timber contracts, or the use of subcontracts let by nonprofit organizations through agreements with the Forest Service. Furthermore, the data do not represent the full “ripple effect” contract dollars have on communities in the SWCC region. How these investments equate to direct jobs and labor income, as well as other indirect and induced effects can be estimated using economic impact models such as the Treatments for Restoration Economic Analysis Tool (TREAT) developed by the US Forest Service as well as the Economic Impacts of Restoration Calculator for Montana Counties developed by the University of Oregon. While 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, repair services and other providers of products and services, other Montana and out-of-state contractors can still have a positive impact on local communities through many of these same sectors.

Finally, the concept of local is defined using the primary address for businesses and organizations engaged in work in the study and reference areas. Assumptions based on business location of contractors cannot account for workers that reside in a different location and therefore the businesses and workers benefiting from restoration investments may be more distributed (or more local) than the data suggest.

4.2 Recommendations

Future research efforts should investigate the impacts of subcontracting in service, timber and stewardship contracts, the extent to which there is untapped interest and capacity in the study and impact areas, as well as the contracting opportunities generated by nonprofits via agreements with the Forest Service.

Initial results from the first two years of CFLRP implementation suggest that valuable information could be gained through one or more of the following strategies:

1. Hold a follow-up contractor meeting to share preliminary results and get feedback on their perspective on how CFLRP is impacting their businesses and communities.
2. Compare results from this study with results from the contract attribute study to explore ways in which Forest Service contracts could be better tailored to benefit local businesses.
3. Investigate sub-contracting trends (across stratified sample of service, timber, stewardship and agreements) to better understand impacts to local communities in the SWCC.
4. Conduct a workforce assessment to gauge the level of interest and capacity in the SWCC impact area to meet the needs of the SWCC CFLRP and the extent to which there exists untapped capacity.

5.0 CONCLUSION

Overall, the data indicate that contractors in the SW Crown are capturing a majority of restoration opportunities generated in the form of service contracts, timber sales, stewardship contracts and agreements. These trends imply that a certain level of local capacity exists to meet the needs of the SWCC and CFLRP. There continue to be significant gaps in the areas of labor-intensive service work, stewardship contracts, product procurement and to a lesser extent, technical consulting work. What is not clear is the extent to which there is untapped capacity that is not participating or able to take advantage of these restoration opportunities as prime contractors or as sub-contractors. More research is needed to assess the use of sub-contractors within the local and semi-local areas, as well as to evaluate the extent of business interest and capacity to participate in restoration through federal contracting opportunities.

Without detailed information on sub-contracting, the data in this report may over- or underestimate the benefit of CFLRP restoration opportunities for local contractors. Additional research on subcontracting could demonstrate that while prime contractors tend to be located in or near the population centers of Missoula, Kalispell and Helena, many companies employ workers or sub-contractors in the rural communities of the SW Crown. Research by Northwest Connections (2010) indicated that nonprofit partners in the area are creating significant opportunities for local contractors when implementing cooperative projects on federal and adjacent private lands. In addition, numerous nonprofits and institutions have been engaged in monitoring efforts for the SW Crown CFLRP.

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APPENDIX A

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