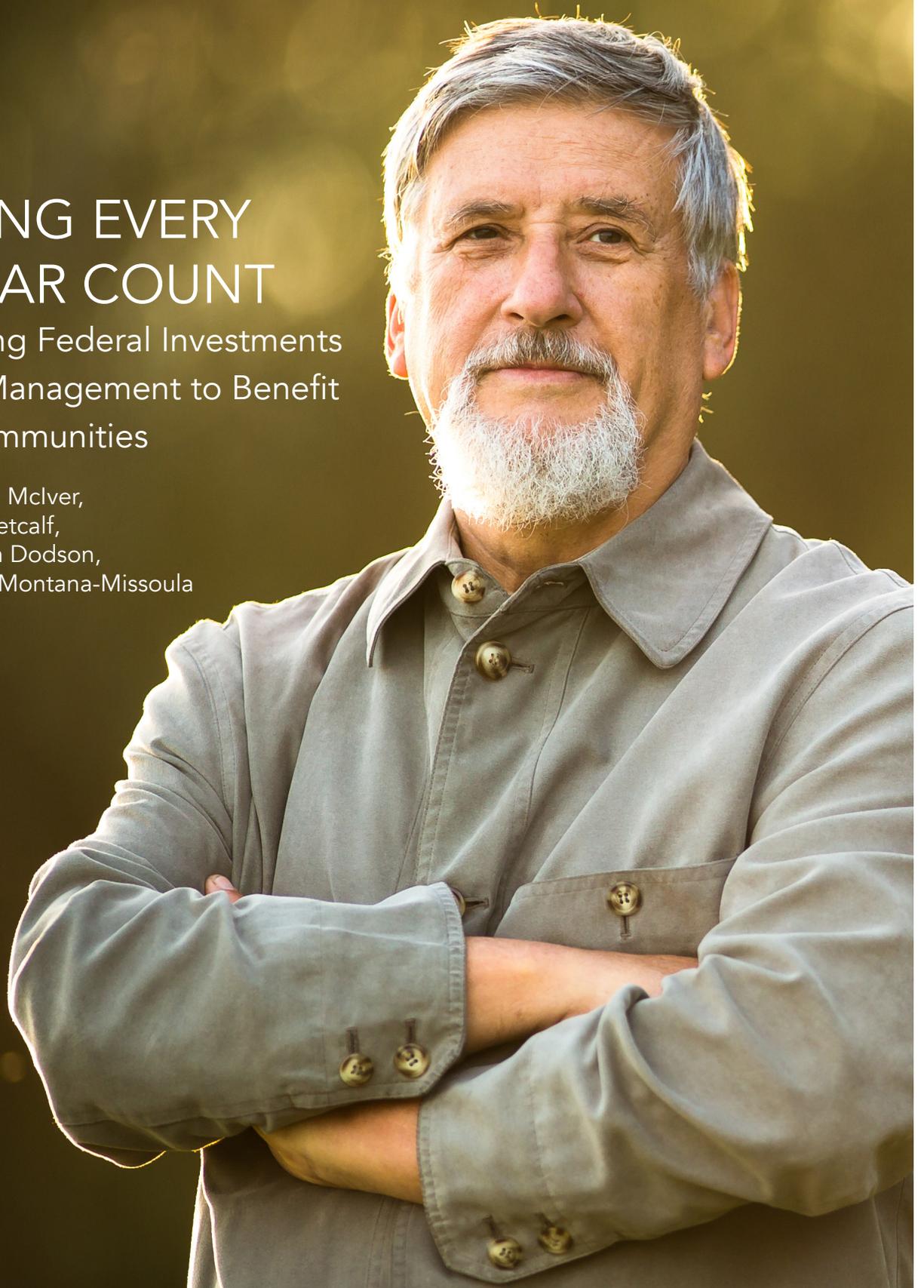


MAKING EVERY DOLLAR COUNT

Leveraging Federal Investments
in Land Management to Benefit
Local Communities

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INTRODUCTION

In many parts of the forested western United States, rural communities—as compared to their urban counterparts—have been disproportionately impacted by forest industry restructuring, federal land policy changes, and more recently the Great Recession (Abrams et al., 2015; Istrate, 2015). 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). Public land managers rely on private sector forestry contractors to conduct needed fuels reduction, insect mitigation, and other restoration and maintenance activities. Unlike traditional forestry work, these activities are not tied to volatile commodity markets, and have become a focus of management on public lands. Many rural forest communities traditionally dependent upon commodities such as lumber and plywood are struggling to find new ways to maintain or build their communities and economies in the wake of mill closures and curtailments (Woodall et al., 2011).

As Lurie and Hibbard explain in their 2011 article on “The New Natural Resource Economy,” restoration and maintenance of our forest resources require firms, workers, material, and supplies while potentially providing biomass and other products with commercial uses. In addition, all of these activities are dependent upon projects which need to be planned, managed, and monitored. The combination of all required inputs and possible products have great potential to contribute to the economic vitality of nearby forest communities.

Meanwhile, buy local programs have also been growing in popularity across the United States, encouraging communities to “grow their own” by investing their consumer dollars in local businesses as a means of stimulating even more local economic activity.

This article presents two case studies that use federal contracting data to understand: 1) the value and types of activities being procured by the US Forest Service to accomplish forest maintenance and restoration objectives, and 2) assess the degree to which forest communities are currently benefiting from this work. We then discuss the potential of existing legislative authorities to encourage utilization of local businesses, thereby reducing leakage and helping struggling rural communities build the capacity to retain more of the dollars invested by land management agencies within their local economy.

WHAT DOES ‘BUY LOCAL’ MEAN FOR FORESTRY BUSINESSES?

Efforts to stimulate the local economy through ‘buy local’ programs generally focus on the replacement of imports 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 often means creating policies that direct more contract dollars to local vendors (Persky et al., 1993). In the case of federal land management agencies, procurement contracts—used to purchase goods and services from the private sector—are the most commonly used tool for accomplishing forest restoration and maintenance activities. While often overlooked, procurement contracting is 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.

DEFINING LOCAL

Perhaps the most important step in establishing an import substitution program is defining the geographic and social criteria with which to focus economic development efforts. Because we were interested in the well-being of rural communities located adjacent to national forests, we defined local businesses as those located within two hours of the study areas and located in communities with a population of 10,000 or less as of the 2010 census. Two hours was chosen because it represents a reasonable distance for workers to commute to project sites and still return home at night—an indicator of higher job quality and job status (Goldstein et al., 2005; Moseley and Reyes, 2007). A two-hour radius is also assumed to ensure sufficient competition (Figure 1).

METHODS

Our research analyzed federal procurement records from the Federal Procurement Data System (FPDS) to understand the type and value of activities being procured by the Forest Service and the degree of opportunity to replace imported labor with local labor.

To do this, project sites within the study areas were compared with the business address of contractors doing the work. This comparison resulted in distance values in road miles and travel time. Contracts were also organized by type of work using the following categories: labor-intensive, equipment-intensive, technical, professional, and supplies.

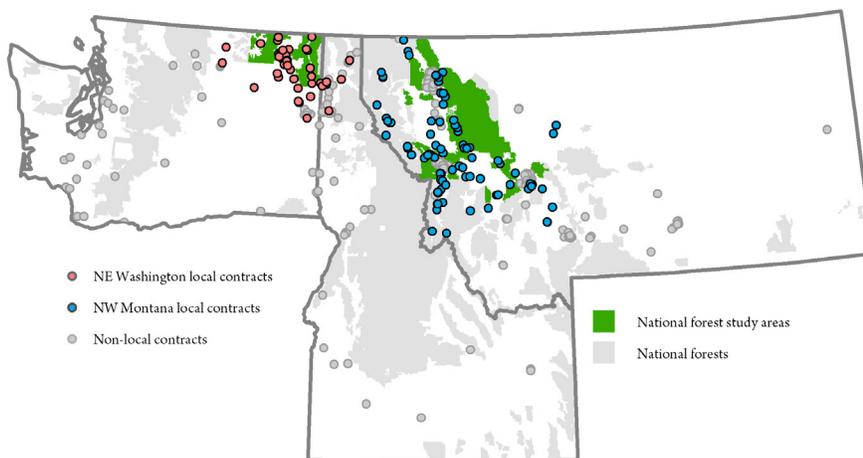


Figure 1. National forest study areas and contracts by business location.

Finally, contracts were coded to identify whether or not they were awarded to local businesses (as defined above).

RURAL COMMUNITIES STRUGGLE TO RETAIN BENEFITS OF RESTORATION

From 2004 to 2013, the US Forest Service procured \$54.4 million in restoration activities in a five-county region of northwest Montana. Over these ten years, 18% of the total contract value was awarded to local businesses. In total, 87 local businesses were awarded \$9.6 million in contracts.

In contrast, in northeast Washington, between 2008 and 2015, the Colville National Forest invested \$17.3 million in restoration activities, of which approximately 30% was awarded to local businesses (Figure 2). In total, 42 local businesses were awarded \$5.1 million in contracts.

In both case studies, the average value of a contract awarded to a local business was roughly half the value of a contract awarded to a non-local business.

DOES TYPE OF WORK MATTER?

The types of activities procured by land management agencies dictate the kinds of opportunities available and the skills needed to capitalize on those opportunities. It also provides a way for communities to assess how well their local business capacity matches the demand for work, and highlights possible areas to focus an import substitution program.

In Montana, equipment-intensive and technical work accounted for the majority of Forest Service restoration investments (44% and 37%, respectively). Labor-intensive work made up the remaining 19%. Of this, local businesses captured roughly 15% of equipment-intensive work (\$3.7 million) and technical work (\$3.2 million), and 26% of labor-intensive work (\$2.7 million). In Washington, labor-intensive activities were the most common activity by value, accounting for 45% of total investments, followed by equipment-intensive

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work with 40%. Most of the remaining contract value was technical work, which accounted for 14% of investments. Supplies constituted the remaining one percent. Local businesses successfully captured 38% of equipment-intensive work (\$2.6 million), 24% of labor-intensive work (\$1.9 million) and 21% of technical work (\$0.5 million).

CONCLUSION: IT TAKES MORE THAN GOOD INTENTIONS

As these two case studies demonstrate, well over half of the value of federal investments in forest restoration and maintenance activities are being lost due to leakage out of local forest communities. Along with those dollars is the lost potential for that money to circulate and “multiply” in the local economy. So what can rural forest communities do to better leverage federal investments in forest management and restoration on public lands?

New programs and authorities are in place providing an opportunity for land management agencies

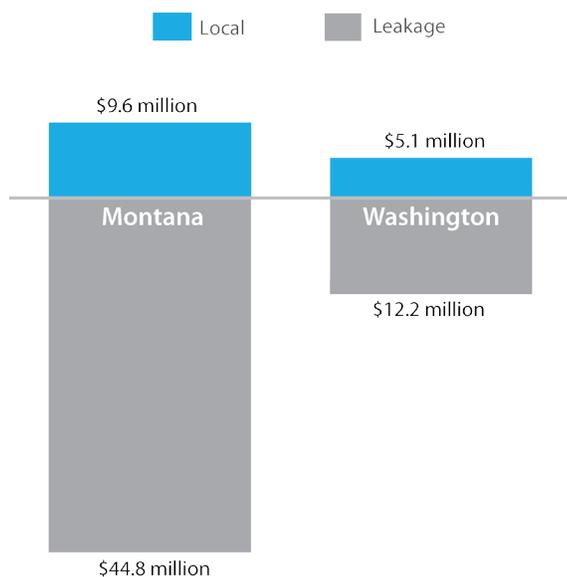


Figure 2. Value of contracts awarded to local and non-local businesses.

and communities to work together to increase the utilization of local businesses. The Collaborative Forest Landscape Restoration Program (CFLRP), established in 2009 has made job creation in local communities an explicit objective. Through 10 years of dedicated investments in restoration combined with active monitoring, the program hopes to increase the economic benefits of restoration activities accruing to local communities.

Nonetheless, research by McIver (2013; 2016) and others (Moseley and Toth, 2004; Charnley et al., 2008) has shown that legislative intent alone is not enough to change the procurement contracting trends on the ground. As stated previously, government agencies need specific authorities that allow greater consideration of local contractors when awarding procurement contracts. In 2012, Congress implemented such an authority. The fiscal year 2012 Consolidated Appropriations Act included language providing the Secretaries of Agriculture and Interior authority to consider the benefit to local communities in the awarding of contracts for forest hazardous fuels reduction and other forest and watershed restoration activities. The authority has been extended through FY17.

Finally, as Abrams et al. (2015) and Pensky (1993) point out, the engagement of non-federal entities, such as community-based organizations or other non-profits, are critical for implementing import substitution programs due to their in-depth knowledge of a place, experience securing financial resources, and their ability to leverage networks to support their efforts. Careful analysis of federal contracting trends combined with local knowledge can create the foundation for a public-private effort to leveraging federal investments in forest maintenance and restoration to create wealth and build capacity in rural forest communities.●