

**U.S. House of Representatives
Committee on Agriculture
Subcommittee on Conservation, Energy, and Forestry**

**Hearing on
National Forest Management and Its
Impacts on Rural Economies and Communities**

March 13, 2013

Witnesses

- Mr. Tom Tidwell, Chief, Forest Service, US Department of Agriculture, Washington, DC
- Dr. Charles McKetta, Chief Economist, Forest Econ, Inc., Moscow, Idaho
- Dr. V. Alaric Sample, President, Pinchot Institute for Conservation, Washington, DC
- Mr. Kenneth C. Kane, President, Generation Forestry, Inc., Kane, Pennsylvania
- Mr. Jim Schuessler, Executive Director, Forest County Economic Development Partnership, Inc., Crandon, Wisconsin

**Statement of
DR. V. ALARIC SAMPLE**

Good morning Mr. Chairman and members of the subcommittee. My name is Al Sample. I am a forester and president of the Pinchot Institute, a nonpartisan conservation think-tank based here in Washington. This year we celebrate the 50th anniversary of the Pinchot Institute's dedication by President John F. Kennedy at Grey Towers National Historic Site, the former home of Gifford Pinchot—first chief of the US Forest Service and twice Governor of Pennsylvania. The Pinchot Institute is a non-lobbying scientific and educational organization, so my statement here today is not intended to reflect any policies or positions of the Pinchot Institute.

The relationship between communities and forests has parallels with the symbiotic relationships that we see in Nature—two entities that depend upon one another to the extent that when one fails the other cannot long survive. Sustainable forest management cannot take place where there is no local capacity, usually in the form of small businesses, to actually carry out the work of forest management—from reforestation, to ecosystem restoration, to maintenance of transportation systems for protection of water quality and aquatic habitat. Likewise, these community-based enterprises cannot survive for long when there is not a reasonably reliable stream of project work to sustain local capacity and expertise. When actions are needed to

protect the ecological integrity and resilience of forests, resource managers have no one to whom they can turn to actually perform the work.

Resource managers on National Forests all across the country faced this situation in the early 1990s, in connection with the reduction in timber sales to expand protection for endangered species habitat. Stewardship activities for watershed protection, wildlife habitat improvement, and hazardous fuels treatments that had once been accomplished by incorporating them into the government's requirements in timber sale contracts were no longer being accomplished. Resources and environmental quality began to degrade. One particular problem was that forest roads that no longer received regular attention began to deteriorate, allowing sediment and debris to get into streams, damaging aquatic resources including spawning habitat for a number of threatened or endangered fish species.

Starting with a single pilot project on the Flathead National Forest in Montana, the Pinchot Institute worked with the US Forest Service and local community groups to test the concept of a "stewardship end-results contract"—a multi-year contract that could encompass a wide variety of land management and stewardship activities. The long-term nature of the stewardship contract gave local businesses—and their bankers—the confidence to continue to invest in costly equipment, as well as in local employment and training. To the Forest Service it gave assurance that key resource management activities would be accomplished to high standards of performance, accountability, and efficiency, and within a specific agreed upon timeframe.

Congress subsequently authorized the Forest Service to conduct additional stewardship contracting pilot projects, 83 in all, the results of which were watched closely by local, multi-stakeholder monitoring groups, in a process facilitated by the Pinchot Institute. Each year the monitoring results were compiled nationwide, and summarized in an evaluation report delivered to Congress, as required by the temporary legislative authority. Based in part on the successes described in these annual reports, Congress acted in 2003 to expand the legislative authorization for stewardship contracting to all National Forests across the country, and extend the authority to Interior's Bureau of Land Management as well.

This legislative authority is set to expire this year, and I come before this subcommittee to ask for your support and leadership in renewing this authorization. In a 2011 letter to members of the Senate Interior Appropriations Subcommittee, six former chiefs of the US Forest Service noted that "stewardship contracting authority has provided public land managers with an important tool in achieving forest management objectives, and increasing and diversifying job opportunities in rural communities." They further stated that:

"Treatments authorized under these contracts promote healthy forests, reduce wildfire hazards, increase watershed resilience, and increase business and job opportunities.

Stewardship contracting encourages collaboration and long-term commitments among agencies, contractors, local communities, and other interested stakeholders. Organizations across the “political spectrum” collectively agree that stewardship contracting authority extension is needed at this time to support public land management agency activities. Between the FY 1999 and FY 2010 fiscal years, the Forest Service has awarded approximately 854 contracts, resulting in thousands of acres of better managed forests and the establishment of jobs, expanded forest products markets, and improved watershed resiliency. Successful collaborative efforts across the nation have relied on this authority as a cornerstone of agreements for future planned activities in major watersheds.”

Mr. Chairman, and members of this subcommittee, these assertions are backed up by the detailed results from more than ten years of multi-party monitoring, evaluation, and reporting on stewardship contracts across the country. I would submit to you here today that the enactment of permanent legislative authority to extend the use of stewardship contracting on the National Forests and BLM lands is the single most important and effective step that Congress can take to support the positive, constructive, and mutually supportive long-term relationship that exists between these federal public lands and the local communities that play a critical role in their sustainable management.

Appended to my statement is additional information pertaining to the accomplishments under stewardship contracts, and the positive effects on income and employment in rural communities. Also in the appendices is information based on the results from studies by the Pinchot Institute on biomass energy development as it relates to the sustainability of forests, including the National Forests.

Mr. Chairman, I thank you for the opportunity to appear today before this subcommittee. I would like to submit the balance of my statement for the record, and I would be pleased to address any questions you or the other members may have.

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Appendices

1. Letter from six retired chiefs of the Forest Service to ranking members of the Senate Interior Appropriations Subcommittee, September 19, 2011
2. Additional background on stewardship contracting pilot projects and results of multi-party monitoring and evaluation
3. Short biography of V. Alaric Sample

September 19, 2011

The Honorable Jack Reed
United States Senate
Washington, DC 20510

The Honorable Lisa Murkowski
United States Senate
Washington, DC 20510

Dear Chairman Reed and Ranking Member Murkowski,

As the Appropriations Subcommittee on Interior, Environment, and Related Agencies considers the Fiscal Year (FY) 2012 budget for the United States Forest Service (USFS) and the Department of the Interior, we as retired USFS Chiefs request your support for extension of the Stewardship Contracting authority as part of FY 2012 appropriations process. First enacted as a pilot program in the FY1999 Interior, Environment, and Related Agencies Appropriations Bill, and then reauthorized for another 10 years within the 2003 Omnibus Public Lands bill, Stewardship Contracting authority has provided public land managers with an important tool in achieving forest management objectives, and increasing and diversifying job opportunities in rural communities.

Although initial use was limited, now more than a decade after this authority was provided, stewardship contracting is rapidly becoming the contracting “tool of choice” throughout the USFS. Treatments authorized under these contracts promote healthy forests, reduce wildfire hazards, increase watershed resilience, and increase business and job opportunities. Stewardship Contracting encourages collaboration and long-term commitments among agencies, contractors, local communities, and other interested stakeholders. Organizations across the “political spectrum” collectively agree that Stewardship Contracting authority extension is needed at this time to support public land management agency activities.

Between the FY 1999 and FY 2010 fiscal years, the Forest Service has awarded approximately 854 contracts, resulting in thousands of acres of better managed forests and the establishment of jobs, expanded forest products markets, and improved watershed resiliency. Successful collaborative efforts across the nation have relied on this authority as a cornerstone of agreements for future planned activities in major watersheds.

We urge the Subcommittee to extend Stewardship Contracting authority through inclusion in the FY 2012 appropriations process. It has provided many successes to federal agencies and rural communities alike. Extending this authority will continue to build on successes already achieved while expanding positive impacts to our national forests and other public lands.

Thank you for consideration of this request.

Sincerely,

/s/ *R. Max Peterson*
Chief, Forest Service
1979 - 1987

/s/ *F. Dale Robertson*
Chief, Forest Service
1987 - 1993

/s/ *Jack Ward Thomas*
Chief, Forest Service
1993 - 1996

/s/ *Michael P. Dombeck*
Chief, Forest service
1997 - 2001

/s/ *Dale N. Bosworth*
Chief, Forest Service
2001 – 2007

/s/ *Abigail R. Kimball*
Chief, Forest Service
2007-2009

Restoration Needs in the National Forest System

According to data provided by the Forest Service, 43% of the National Forest System (82 million acres) is in need of restoration. Over the past 10 years, 18 million acres of National Forests have seen widespread tree mortality associated with bark beetle damage. Before the 2012 fire season began, the Forest Service cited 65 million acres of National Forests as being at very high risk of severe wildfire. In 2012 alone, over 9.2 million acres of the country burned in wildfire according to the National Oceanic and Atmospheric Administration, mostly on federal public lands.

The Role of Stewardship Contracting Authorities

Stewardship End-Results Contracting concepts have been around in one form or another for approximately 20 years. In 1998, Congress authorized a pilot program for the Forest Service to develop a small number of Stewardship End-Result Contracts and Agreements to:

1. More effectively involve communities in the stewardship of nearby public lands, and
2. Develop a tool in addition to the timber sale program that could more effectively address the complexity of forest ecosystem restoration.

The pilot effort concluded early with Congress passing legislation¹ in 2003 that removed the cap on the number of projects, extended Stewardship Contracting authorities to the Bureau of Land Management, and offered a 10-year authorization to the agencies to use stewardship authorities through September 30, 2013 to: “perform services to achieve land management goals for the national forests and the public lands that meet local and rural community needs.”

Stewardship Contracting in the Context of National Forest Restoration

The Pinchot Institute has annually monitored 25% of active Stewardship Contracting projects nationwide since 2005. Conclusions from this monitoring include:

- Ten of the 500 active Forest Service stewardship contracts are 10-year landscape scale projects, including the Four Forest Restoration Initiative, White Mountain Stewardship Contract, and Front Range Stewardship Contract discussed below. Landscape-level and multi-year contracts are realizing efficiencies and have enabled some contractors to make investments toward accomplishing ambitious programs of restoration work.

¹ Interior Appropriation Act of 2003 Sec. 323 of P.L. 108-7 (16 U.S.C. 2104. Note, as revised February 28, 2003 to reflect Sec. 323 of H.J. Res. 2 as enrolled) the Consolidated Appropriations Resolution, 2003, amended P.L. 105-277, Sec. 347.

- From 2010 to 2012, non-federal partners provided funding in 40–48% of stewardship contracts or agreements.
- Significant multi-year investments of private funds are being leveraged in Forest Service Collaborative Forest Landscape Restoration Program (CFLRP) projects, and stewardship contracts and agreements are critical to the success of these landscape-scale restoration projects.
- Stewardship contracting and CFLRP is resulting in private investments being made that are focused on processing the byproducts of restoration treatments, benefiting rural economies and reducing the cost of restoration work.

Front Range Stewardship Contract. In Colorado, insect and disease has devastated more than 1.7 million acres of forest on the Front Range over the last 15 years, with some areas seeing tree mortality as high as 80%. The Front Range Long-Term Stewardship Contract covers a 1.5 million acre landscape reaching south of Colorado Springs to the Wyoming border. The local small business holding the contract, West Range Reclamation, suggests that they have “built our business around stewardship contracting.” In doing so, West Range Reclamation has treated approximately 5,000 acres in 2012, creating at least 52 jobs. After receiving a USDA Forest Products Laboratory Grant they also began manufacturing new value-added products, tapping into 19 markets including mulch, wood chips, post and poles, shavings for animal bedding, kitty litter, and wood pellets, adding significant value to the raw material removed and reducing treatment costs below \$300/acre in some places.

White Mountain Stewardship Contract. According to White Mountain Stewardship Contract holder Future Forest LLC., the White Mountain Stewardship Contract has reduced restoration costs by 36% and created 226 direct jobs and 96 indirect jobs through a host of small scale businesses. Economic reports for the project state \$30 million in government expenditures and \$40 million in economic return. Future Forest LLC. is a partnership between WB Contracting and pellet manufacturer Forest Energy Corp, harnessing the ingenuity of the private sector to link restoration work on the public lands with new thermal energy markets, supporting biomass utilization.

Need for Market Development for Expanded Biomass Utilization

Public and private investments in local biomass utilization capacity are important to reducing the per-acre cost of restoration treatments. Federal investments through USDA and DOE loan guarantee programs, and grant programs like the Forest Biomass Utilization grants and

Community Wood Energy Program in the 2008 Farm Bill contribute to improved stability in rural economies.

For example, the Medicine Bow-Routt National Forest recently entered into a 1,000-acre, 10-year stewardship contract with Confluence Energy, a pellet manufacturer in Kremmling, Colorado, which will supply a new 11.5-megawatt power plant backed with a USDA loan guarantee. In Arizona, the Forest Restoration Initiative is underway with the Forest Service entering into their largest 10-year stewardship contract to date designed to restore 300,000 acres. Pioneer Forest Products based in Montana received the award, with plans to create 900 jobs and build an advanced biofuels plant in Winslow, Arizona.

Given long-term electricity market projections, due in large part to low natural gas futures, the prospects for biomass fueled electric power remain dim in most places. However, densified products (compressed wood logs, bricks, and pellets) and direct conversion of biomass to thermal energy for space heating and industrial process heat remain promising in many places. Roughly a third of US energy consumption is thermal energy for heating and cooling spaces and for industrial processes. Using biomass as a fuel source has tremendous potential to displace the consumption of petroleum-based heating fuels.

For instance, in Oregon, the Oregon Department of Energy and USDA Forest Service have recently made investments to expand thermal energy markets in communities adjacent to National Forests in Eastern Oregon. Investing in these locations makes sense because these communities are adjacent to National Forests in need of biomass removal and are currently without access to natural gas, making woody biomass systems very competitive to fossil fuel alternatives, i.e. propane and heating oil. Since 2008, at least 10 small-scale biomass thermal installations have been installed in Eastern Oregon, ranging from a hospital to a small industrial complex.

On-farm uses of wood fuel are promising as well. Food production and packaging uses significant amounts of process heat, and in many places biomass is well suited to supply this energy. For example, consider that the average poultry house consumes about 6,000 gallons of propane per year at a wholesale cost of \$2.04/gallon or \$12,240 per year. If the poultry house is heated with wood chips costing \$60/ton, the poultry house needs 40 tons of wood chips annually, costing \$2,400, saving the poultry grower \$9,840 annually per poultry house. Moreover, the grower would see improved flock health and productivity due to reduced air moisture associated with switching from propane to biomass.

V. Alaric Sample

V. Alaric (Al) Sample has served as President of the Pinchot Institute for Conservation in Washington, DC since 1995. He is a Fellow of the Society of American Foresters, and a Research Affiliate on the faculty at the Yale School of Forestry and Environmental Studies. He is author of numerous research papers, articles and books on topics in national and international forest policy. His most recent books include *Forest Conservation Policy* (Oxford: ABC-CLIO 2003) with Antony Cheng, and *Common Goals for Sustainable Forest Management: Divergence and Reconvergence of American and European Forestry* (Durham, NC: Forest History Society 2008) with Steven Anderson. Sample earned his doctorate in resource policy and economics from Yale University. He holds two masters degrees, an MBA and a Master of Forestry both from Yale, and a Bachelor of Science in forest resource management from the University of Montana. His professional experience is in both the public and private sector and includes assignments with the U.S. Forest Service, Champion International, The Wilderness Society, and the Prince of Thurn und Taxis in Bavaria, Germany. He specialized in resource economics and forest policy as a Senior Fellow at the Conservation Foundation in Washington, DC, and later as Vice President for Research at the American Forestry Association. Sample has served on numerous national task forces and commissions, including the President's Commission on Environmental Quality task force on biodiversity on private lands, and the National Commission on Science for Sustainable Forestry. Other professional activities include serving on the Board of Governors of the Association of Yale Alumni, as president of the Yale School of Forestry & Environmental Studies Alumni Association, and as chair of the National Capital Society of American Foresters.