STEWARDSHIP CONTRACTING

A Summary of Lessons Learned from the Pilot Experience

Pinchot Institute for Conservation

Leadership in Forest Conservation Thought, Policy and Action

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INTRODUCTION

The Pinchot Institute for Conservation and its regional partners, including the Flathead Economic Policy Center (MT), the Watershed Research and Training Center (CA), the Montezuma County Federal Lands Program (CO), and Interface (NY) (referred to collectively as PIC throughout this report), have closely tracked the evolution of stewardship contracting (SC) within the U.S. Forest Service (USFS) and managed the monitoring and evaluation of the Stewardship Contracting Pilot Program throughout its five-year existence.

THE DEVELOPMENT OF STEWARDSHIP CONTRACTING
PIC’s involvement with SC began in the mid-1990s, when proponents of community-based forestry began exploring the tenets of alternative methods for collaborative forest restoration. Each of the aforementioned partners was actively engaged in the early SC dialogue, basing much of their input and recommendations upon their own grassroots experience. This collective energy included facilitating conference calls, workshops, and other forums to buoy and eventually formalize the SC dialogue as well as working with Congress to draft preliminary legislation for SC. Throughout these formative years many others, both inside and outside Washington, D.C., propelled interest in SC, with the outcome being inclusion of the Pilot Program as Section 347 of the FY 1999 Omnibus Appropriations Act (P.L. 105-277).

The first five years of SC experience were affected by four pieces of legislation. The first three, between 1999 and 2002, created and elaborated on what was considered the USFS Pilot Program. In 2003, prior to the official sunset of the Pilot Program, the associated authorities were extended for ten years and generally made available to both the USFS and the Interior Department’s Bureau of Land Management (BLM) for a 10-year period. The transition that occurred while pilot projects were still underway led to some confusion and criticism of the agency. With the establishment of the ten-year extension, USFS Washington Office (WO) managers felt a need to quickly clarify the authorities and initiate appropriate guidelines and sideboards in order to ensure accountability for the expanded use of SC. Initial SC direction was issued in the USFS Forest Stewardship Handbook in 2003. In many cases, it was not clear to the agency employees working in the field how the pilot projects might be affected by the new handbook direction for what was considered a more
permanent set of authorities. A much-improved version of the SC chapter for the Forest Stewardship Handbook was released in December 2005. A number of the lessons originally gleaned from analysis of the pilot projects have been addressed in this handbook revision. The SC chapter is a positive example of decision-makers hearing and responding to field staff and partners. Read the Chapter at http://www.fs.fed.us/forestmanagement/projects/stewardship/direction/index.html

PROGRAM MONITORING RESULTS AND FINDINGS

Through its contract with the USFS, PIC has reported extensively on the Pilot Program, including minutes and reports from regional and national team meetings and annual comprehensive reports to the USFS. This document is a distillation of what was collectively learned about SC implementation from 1999 – 2004 by PIC within the Pilot Program context. Findings were corroborated by a Stewardship Contracting analysis report conducted by Doug MacCleery, USFS Senior Policy Analyst, in 2004. (See Stewardship Contracting Assessment at www.fs.fed.us) It is intended to help anyone interested in gaining insight regarding the pros and cons of SC implementation as experienced by those directly involved with pilot projects. The specific audience is the community of people who will carry out SC in the future both as managers and partners. This report makes an effort to highlight only those lessons learned from the pilot projects that apply to the ten-year SC program.

Though some barriers still remain, those that can be remedied by agency decision-makers have been addressed. Despite the primary reported barriers to SC implementation, as listed below, there were numerous cases where the suite of authorities associated with SC provided a means to implement a number of resource management projects with benefits to local communities that would have either not occurred or been delayed. In addition, the SC Pilot Program encouraged a great deal of creativity, innovation and new opportunities to involve the public in forest management in a meaningful way. For many managers at all levels of the USFS, it was the increased flexibility introduced by the authorities that made for successes. The barriers most often reported in utilizing SC included:

- Limited funding
- Too much time involved with creation of the contracts associated with projects
- Inadequate internal and external training
- Lack of coordination, at times, between USFS Acquisitions Management and Timber Sale Contracting
- Rigid and inadequate contracting instruments and templates
- Poor direction on what constitutes adequate collaboration
- Overly restrictive direction to the field on how to implement SC
- Inability of small purchasers, NGOs, and communities to obtain bonding
A contracting community reluctant to take on the implied risks
Low market values, in some areas, associated with the timber by-products of restoration

While this report is not intended to make formal recommendations to agencies or partners, each lesson described under the broad categories of Leadership, Collaboration, Funding, Planning, Business Capacity, and Monitoring implies a recommendation. If broad recommendations are to be offered for both managers and partners that would address many of the detailed lessons they would be as follows:

RECOMMENDATIONS TO PUBLIC LAND AGENCIES

- Recruit WO and Regional Stewardship Coordinators within the agencies that possess good communication skills and hands-on experience with timber sales and/or service contracts, including work with contractors.
- Commission localized trainings with participation from agencies and outside partners to promote understanding of collaborative aspects of SC.
- Foster mentoring among federal employees across regions and agencies.
- Develop a cadre of agency people to review the SC packages. This group of reviewers can help identify mistakes, check the contract for accuracy, and share lessons from previous contracts.
- Develop a template for workshops that appropriately introduce potential bidders to SC in general, probable projects, and how to bid.

RECOMMENDATIONS TO PARTNERS

- Allow agencies time to experiment with SC projects at varying scales and offer constructive guidance throughout the process.
- Take advantage of opportunities to collaborate and, therefore, improve SC project outcomes.
BACKGROUND

Stewardship Contracting originated in the 1980s, when land management service contracts were introduced in response to shrinking federal budgets, reduced numbers of personnel, and demands from the public for a broader range of outputs from public lands. These early contracts were designed to save public funds through improved contract administration, specification of desired end-results, and the consolidation of multiple activities into a single contract mechanism to facilitate timber management objectives. Under the USFS Pilot Program, SC evolved into a set of tools to support the more comprehensive approach embodied by ecosystem management.

Through the passage of Section 323 of the Consolidated Appropriations Act for Fiscal Year 2003 (P.L. 108-7), Congress removed the SC program’s “demonstration” status and made its special authorities generally available to all units of the USFS and the BLM through 2013. This new status is different than the Pilot Program in that: (1) agency employees no longer have to apply for use of the authorities, and (2) the multi-party monitoring component of SC is programmatic rather than project-oriented.

New processes and procedures provided for within the original 1999 appropriations language included:
- The exchange of goods for services;
- The retention of receipts;
- The designation of timber for cutting by prescription or description;
- The awarding of contracts on a “best value” basis;
- Multi-year contracts (including six to ten year service contracts);
- Offering contracts with less than full and open competition;
- Non-USDA administration of timber sales.

The five-year Pilot Program granted the USFS a suite of flexible, new authorities to perform services that would help: (1) achieve restoration objectives on the National Forests, and (2) meet the needs of local and rural communities. In total, 84 projects were authorized through several appropriations bills between 1999 and 2002 (P.L. 105-277, P.L. 106-291 and P.L. 107-63)
THE ROLE OF THE PINCHOT INSTITUTE AND ITS PARTNERS

To gather the information necessary for future policy development and refinement, Congress required the USFS to establish a “multi-party monitoring and evaluation process” capable of assessing the accomplishments and experiences of each pilot project (Subsection (g) of Section 347 of P.L. 105-277).

In July 2000, the USFS competitively awarded a contract to PIC to design, implement, and manage a multi-party monitoring and evaluation process for the Stewardship Contracting Pilot Program. The monitoring framework that was designed consisted of a three-tiered structure, incorporating local, regional, and national multi-party monitoring and evaluation teams.

Local Teams were responsible for the development of site-specific monitoring methods, schedules, and operating procedures, in addition to collecting and analyzing data necessary for project and program evaluation (e.g., acres treated, funding/expense records, collaboration). Each pilot project had some form of local team associated with it.

Regional Teams synthesized data from Local Teams and analyzed the outcome of project efforts on a regional scale (e.g., the influence of
geography, ecosystem functions, particular economic or social conditions, and the role of communities in the development of contracts and work plans). Four Regional Teams were established as part of this effort: East, Inland Northwest, Pacific Northwest, and Southwest.

A National Team assessed the program from a national vantage point, monitoring and evaluating information gathered by the local and regional teams on: (1) the development, execution, and administration of authorized contracts and work plans; (2) specific accomplishments resulting from project efforts; and (3) the role of local communities in the development of contracts.

This three-tiered, multi-party monitoring system served as a rich communications network for the program and resulted in an unprecedented collection of stories, lessons learned, and recommendations. This information can be found in the annual PIC reports submitted to the USFS and the reports of each of the Local, Regional, and National Teams available on the Pinchot Institute for Conservation’s website (www.pinchot.org.)

In addition to the collection of monitoring information, PIC proved to be a valuable source of technical assistance – providing a regular feedback loop and source of up-to-date information from the field to Regional Offices and to the WO as well as a conduit for technical and procedural guidance nationally.

“YOU MUST HAVE
LEADERSHIP AND DIRECTION
The general political climate surrounding forest management and the complex nature of SC call for strategic objectives and clearly defined expectations for field implementers. The relatively small scale and inherently experimental nature of the Pilot Program allowed WO staff to initially take a hands-off approach. As the program expanded and eventually took on a longer-term status, however, WO staff began to seek clearer sideboards and definitions for the authorities. While standardizing methods and scenarios for using the tools makes sense from an accountability standpoint, it led to constriction and frustration at the field level. Maintaining the right balance between creativity and experimentation in the field and standardization is difficult given the great variability in individual land needs and local situations throughout the regions. Commendable progress has been made in this direction with the 2005 Stewardship Contracting handbook chapter discussed in the introduction. Below are the relevant lessons for leadership:

- SC succeeds when Regional Foresters are committed and when the Acquisition Management and Timber Sale Contracting staffs actively work together.
- The most effective and efficient use of the contracting tools is accomplished when questions from the field receive timely responses, coordinated by WO.
- Stewardship Contracting staff with Acquisitions Management and Forest Management.
- Streamlined reporting with on-going direction from the WO and Regional Coordinators encourages use of the tools.
- Trainings with a mix of agency and non-agency participants on the use of SC authorities in a collaborative manner help field managers.
- Direct mentoring between those USFS Regions with SC experience and those without such experience reduces the time required to produce successful projects.
- USFS Region 2 formed an internal SC assessment team that gathered information from the region and beyond. That team reported recommendations to Regional Leadership. This is a useful model.
COLLABORATION

Collaboration between federal agencies and interested outside parties is an inherent part of the SC concept. Within the pilot projects, collaborative involvement of non-agency entities was well received by local publics and, in many cases, improved the design of projects and increased support for needed land management activities. However, many agency managers were confused and even frustrated as to how to encourage and incorporate various levels of collaboration within a SC setting. The frequent appearance of the term “collaboration” in new directives, often lacking specific guidelines, has left some federal managers confounded. Still others report a sense of being overburdened by yet another task in addition to existing heavy workloads. Relief for those managers seeking more direction has come through the new SC chapter referenced on page three.

Many of the pilot projects have positive stories to tell about the involvement of local communities and multi-party monitoring teams. The common theme for deriving the benefits of true collaboration seems to be an acknowledgement of the up-front time involved in order to gain the long-term benefits. The basic factors for success in collaboration seem to be an existing subset of community interests ready to engage, and agency land managers willing to encourage and stick with the process. Where one or both are absent, collaboration seems to be slow in evolving and managers seem deterred by a sense that collaboration takes too long and bears little reward. Below are the lessons derived regarding collaboration:

- Collaboration requires additional time and money initially but once established it can result in improved trust and projects, often beyond the initial project and with formerly adversarial groups.
- Collaboration efforts need to be continuous from inception until conclusion of the project. They do not begin/end with the completion of NEPA or the award of the contract.
- Existing local community collaborative groups have proven to be a great place to start with SC project development.
- Burn-out among agency personnel, community members and stakeholders will occur when a project moves slowly or becomes contentious.
- Participation in a collaborative effort can be better maintained over a long period when compensation is offered for transportation, phone calls and other material contributions to the process, as well as for attendance at regional and national stewardship-related meetings.
The most effective collaborative groups maintain diverse perspectives from private, public, and non-governmental entities. These teams often model Resource Advisory Councils or Community Action Teams (State and Private Forestry).

Field tours are effective methods of communicating information and generating interested partners.

Neutral facilitators with basic natural resources knowledge can play an essential role in keeping groups on track and in providing documentation.

REPORTED BENEFITS OF COLLABORATION

- Improved communication, relationships, and trust, resulting in improved decisions
- Recognition of the value of input from local people
- Increased mutual learning among public and agency participants
- Improved publicity for the story around the project
- Recognition for accomplishments, both internally and externally
- Increased ability to fund different kinds of projects
- Formulation of innovative, efficient, and scientifically sound approaches to addressing identified environmental, social, cultural and economic needs
Ecosystem Benefit: At the core of SC is the notion of environmental stewardship—taking care of the land. Therefore, SC should be used to enhance or restore ecosystem composition, structure, or function (e.g., terrestrial and aquatic habitat restoration, invasive species abatement, watershed functioning, and hazardous fuel reduction to facilitate restoration of native fire regimes.)

Collaboration: Effective, up-front, diverse collaboration is essential to the concept of SC. In an effort to have citizens involved with the stewardship of their public lands, collaboration among diverse stakeholders needs to be undertaken from project planning through implementation and monitoring.

Best Value: SC can serve to enhance several community forestry goals in the areas of small business investment, vocational skills development, stimulation of local product supply and marketing chains, and diversifying the rural economic base. As a result, the mutual benefits of promoting ecological and economic resilience through well-designed SC can help stabilize rural communities that are especially vulnerable to rapid shifts in global commodity markets and investment cycles.

Societal Benefits: SC should produce tangible benefits that contribute to the social and economic well-being of local communities.

Flexibility: Professional resource managers should be able to aggressively employ all available tools to achieve on-the-ground management results.
FUNDING AND BUDGET MANAGEMENT

In the Pilot Program, SC projects tended to cost more to initiate than more traditional service contracts, timber sales, or other tools because of the additional preparation and learning time associated with this new way of doing things. Yet, many field managers documented real savings of money, even with first attempts, due to the ability to bundle numerous activities together into one contract. Real cost savings and other payoffs are beginning to be realized as managers gain a greater level of comfort with SC mechanisms. Some project managers were greatly frustrated by the strong encouragement to use SC from the WO and to improve collaborative efforts without additional funding. SC projects pose funding issues because they span multiple years and thus multiple budget cycles. Once a SC project is underway, the ability to retain receipts from timber sales can reduce these concerns in that receipts can: pay for the service work within the contract; provide additional collections for the Knutson-Vanderburg fund, brush disposal fund, and, cooperative work; reimburse any salvage sale fund expenditures incurred in preparing the project; and be applied to other stewardship projects. Core lessons regarding funding and budget management are listed below:

- Financial record-keeping can be simplified if the Budget and Finance section for each unit sets up a billing and payment system specific to their SC, with bills issued and paid electronically.
- Large, ten-year projects can manage budgetary constraints by breaking tasks into smaller components or work orders.
- It’s helpful to have a good cost estimating guide with consistent region-, state- or area-wide equipment costs and wage rates.
- Some costs can be reduced by incorporating non-profits and/or Resource Conservation & Development (RC&D) Districts to assist in the contract administration activities.

MOST OF US COLLABORATE AS A NORMAL COURSE OF BUSINESS BUT WE DON’T DOCUMENT OR PUBLICIZE IT SO IT GETS LOST.”

(Ryan Park - Region 2, 2003)
DESIGNING, PLANNING AND AWARDING STEWARDSHIP CONTRACTS

A common theme among successful pilot projects was that they designed and planned projects in partnership with collaborative groups or at least began the process with local community needs and concerns in mind. For example, some projects concentrated the work in an area identified as high fire risk by a community group as opposed to an area in a remote location with a low community priority. Flexibility has also been paramount in making SC work within the many contexts that exist across the country. Some of the relevant lessons include:

▶ It is best to maintain the same personnel throughout the process (line officers, team leaders, project managers, etc.) for consistency and communication.
▶ SC requires a good on-the-ground agency manager with a broad range of experience including certification as a timber sale administrator and/or representative of the Contracting Officer.
▶ Involving members of the timber sale administration group (particularly Contracting Officers) with members of the Regional service contracting group up-front helps divert problems.
▶ NEPA planning does not take more or less time for a Stewardship Contract than non-SC projects. Nor is there evidence to suggest that SC receives more or fewer appeals than regular projects.
▶ Bids are increased by offering product via weight scaling, board-foot estimates, and/or cost estimate guides when a project involves a variety of skill and equipment requirements.
Better proposals were received when check-off boxes were created for some items as opposed to a required narrative description and when ample time was provided for delivery of proposal.

Initial projects should be designed with the existing contractor pool in mind.

Annual operating plans can ensure timely completion.

Negotiations are essential for reaching common understanding and best prices for work, especially when the service work is difficult to describe.

FOSTERING BUSINESS CAPACITY

Inherent in SC is the notion of including or “bundling” a variety of work into one contract. Therefore, a successful contractor must either possess the full range of needed skills within one company or be an effective general contractor. Many of the contractors with experience operating on public lands specialize in one type of work, e.g., logging or hydro-mowing, and are leery of getting involved in the complexity of work and risks associated with SC. In addition, the variety of markets needed to accommodate the by-products of restoration forestry called for by the SC is often small or non-existent. Moving too fast in some areas to issue complex SC projects (i.e., one contract for timber removal, weed control, road obliteration, etc.) has reduced the numbers of potential bidders and driven up implementation costs because contract offerings had to be pulled back, broken into pieces, or otherwise scaled down. In order to address this situation, the agency should initially develop contracts that can be handled effectively by the existing local contractor pool either by reducing complexity or presenting a small-scale experimental-type Stewardship Contract project.

“We did not allow enough time/training for contractors to learn what was expected of them prior to asking for a contract proposal. This resulted in delays and misunderstandings”

(Dry Wolf - Region 1, 2003)
The lessons below are relevant for those seeking the right balance between project accomplishment and local business benefits:

- Analysis of local industry and markets’ ability to handle the work and product proved beneficial.
- "Show Me Trips" and “Bidder Workshops” can help managers understand local capacity.
- Examples of successful bid offerings are helpful to potential bidders.
- “Timber subject to agreement” clauses have been useful.
- “Split-pricing” of different products can help diminish risks related to timber cruises for low-value material and increases utilization.

CONTRACTORS IMPLEMENTING STEWARDSHIP CONTRACTING PROJECTS SHOULD:

- Have the capability to roll with the multiple punches that a complex project can throw.
- Be flexible, patient and competent.
- Have working relationships with other subcontractor businesses.
- Have the ability to keep operations efficient and within the letter and spirit of the contract.
- Be able to communicate well both verbally and in writing with agency representatives and community partners.
- Be fastidious about quality of work.
- Have a true commitment to being a steward of the land.
MULTI-PARTY MONITORING AND REPORTING

The Pilot Program required multi-party monitoring at a project level. Under the ten-year authorization, multi-party monitoring is only required on a programmatic basis. As a result of this shift, the monitoring requirements and their underlying intention have been misunderstood in some cases. Yet, as the Pilot Program came to a close, many SC projects and multi-party monitoring teams emphasized the importance of third-party monitoring for effective and efficient project implementation. There was a recognition by some agency managers that an independent voice can identify issues and problems and ensure that they are brought to the attention of the agency and Congress, while also generating creative solutions. Some managers went so far as to emphasize the benefit of review from a regional perspective to: help make the connection between local and national levels; be sensitive to cultural and economic realities; familiarize others with the ecosystems in the region; and be able to operate on a broader scale than National Forest boundaries allow. Below are lessons provided by multi-party monitoring teams and their agency representatives:

- Monitoring groups can be encouraged by providing easy access to existing information.
- Often the primary outcome of monitoring team efforts is a dissemination of information back in to the community.
- Often people are not interested in the SC authorities, tools, or mechanisms. Rather, they are interested in monitoring the ecological impacts, fire research, and/or community involvement.
- The most motivated monitoring teams have people with obvious interests involved, e.g., a local tie or local interest in the project area or belief that current agencies practices aren't yielding positive results.
- The more monitoring groups know about how much money will be available for their activities, the better their recommendations.

Learn more about stewardship contracting and the Pilot Program including detailed minutes from meetings and annual reports.

From the Forest Service http://www.fs.fed.us/land/fm/stewardship
From the Pinchot Institute http://www.pinchot.org
The Pinchot Institute for Conservation is a forest conservation non-profit located in Washington, D.C., specializing in sustainable forestry initiatives. The Pinchot Institute was dedicated in 1963 by President John F. Kennedy to facilitate communication and closer cooperation among resource managers, scientists, policymakers and the American public. The Institute continues Gifford Pinchot’s legacy of conservation leadership as a center for policy development in support of sustainable forest management.

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