



**FOREST SERVICE HANDBOOK  
NATIONAL HEADQUARTERS (WO)  
WASHINGTON, DC**

**FSH 2409.19 - RENEWABLE RESOURCES HANDBOOK**

**CHAPTER 60 - STEWARDSHIP CONTRACTING**

**Amendment No.:** 2409.19-2005-1

**Effective Date:** December 12, 2005

**Duration:** This amendment is effective until superseded or removed.

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**Date Approved:** 11/30/2005

**Posting Instructions:** Amendments are numbered consecutively by Handbook number and calendar year. Post by document; remove the entire document and replace it with this amendment. Retain this transmittal as the first page(s) of this document. The last amendment to this Handbook was 2409.19-2004-3 to FSH 2409.19\_contents.

<b>New Document</b>	2409.19_60	58 Pages
<b>Superseded Document(s) by Issuance Number and Effective Date</b>	id_2409.19-2005-1, 07/14/2005	36 Pages

**Digest:**

60 - Revises and expands direction previously contained in interim directive (ID) 2409.12-2005-1 for implementing stewardship contracting authorized by section 323 of Public Law 108-7, the Consolidated Appropriations Resolution, 2003 (16 U.S.C. 2104 Note). Notice of the issuance of this interim directive was published in the Federal Register on January 28, 2004 (69 FR 4107). A joint notice was previously published by the Forest Service and the Department of the Interior, Bureau of Land Management (BLM) in the Federal Register on June 27, 2003 (68 FR 38285) to give notice and provide an opportunity for public comment on the interim guidelines for stewardship contracting developed jointly by the Forest Service and BLM.

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This chapter provides direction to implement the stewardship end result contracting (usually referred to as "stewardship contracting") authority. The guidance and procedures in this direction include appropriate use of the authority, stewardship contracting project development and implementation, and monitoring the use of the stewardship contracting authority.

### **60.1 - Authority**

1. Section 347 of Public Law 105-277, the Omnibus Consolidated and Emergency Appropriations Act, 1999 (Pub. L. 105-277). Grants the Forest Service authority to enter into no more than 28 contracts with private persons and entities, nine of which are authorized to Region 1, to perform services to achieve National Forest System (NFS) land management goals that meet local and community needs.

2. Section 341 of Public Law 106-113, the Consolidated Appropriations Act, 2000, amending Public Law 105-277, sec. 347 (Pub. L. 106-113). Grants the Forest Service authority to use agreements as well as contracts to implement stewardship contracting projects.

3. Section 338 of Public Law 106-291, H.R. 4578, FY2001 Appropriations Act for Interior and Related Agencies. Grants the Forest Service authority to enter into an additional 28 stewardship contracts, at least nine of which are authorized in Region 1 and at least three of which are authorized to Region 6.

4. Section 332 of Public Law 107-63, the Interior Appropriations Act, 2001, amending Public Law 105-277, sec. 347 (Pub. L. 107-63). Grants the Forest Service authority to enter into an additional 28 stewardship contracts, at least nine of which are authorized in Region 1 and at least three of which are authorized to Region 6.

5. Section 323 of Public Law 108-7 (16 U.S.C. 2104 Note, as revised February 28, 2003 to reflect sec. 323 of J.J. Res. 2 as enrolled), the Consolidated Appropriations Resolution, 2003, amending Public Law 105-277, sec. 347. Grants the Forest Service authority until September 30, 2013, to enter into stewardship contracting projects for up to 10 years with private persons or public or private entities, by contract or by agreement, to perform services to achieve land management goals for the national forests or public lands that meet local and rural community needs. Section 323 supercedes the original authority granted to the Forest Service in section 347. Stewardship contracting projects approved as pilot projects now fall under section 323.

Title 16 U.S.C. 2104 Note (c) (4) exempts stewardship contracts and agreements from sections 14(d) and (g) of the National Forest Management Act (16 U.S.C. 472a). Products with an appraised value in excess of \$10,000 may be sold without advertisement. Also, persons other than those employed by the Secretary of Agriculture may mark or determine the trees to leave, or to be cut and removed, to meet restoration objectives.

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6. Section 331 of Public Law 106-291, the Department of the Interior and Related Agencies Appropriations Act, 2001 (Pub. L. 106-291). Grants the Secretary of Agriculture authority to permit the Colorado State Forest Service to perform watershed restoration and protection services on NFS lands when similar and complementary watershed restoration and protection services are being performed by the Colorado State Forest Service on adjacent State or private lands. The “Colorado Good Neighbor” legislation was extended to September 30, 2009, in section 336 of Public Law 108-447, Consolidated Appropriations Act, 2005 and included BLM lands that can be managed by the State of Colorado.

7. Section 337 of Public Law 108-447, Consolidated Appropriations Act, 2005. Grants the Secretary of Agriculture authority to permit Utah State Forester to perform forest, rangeland, and watershed restoration services on NFS lands in Utah.

8. Public Law 105-277, Section 323 as amended by Public Law 109-54, Section 434. authorizes the Forest Service to enter into cooperative agreements to benefit resources within watersheds on National Forest System lands. Agreements may be with willing Federal, tribal, State, and local governments, private and nonprofit entities, and landowners to conduct activities on public or private lands for the following purposes: protection, restoration, and enhancement of fish and wildlife habitat and other resources; reduction of risk for natural disaster where public safety is threatened; or a combination of both. This authority was initially provided in FY 1998 and has been extended through the end of FY 2011.

9. Public Law 108-278, July 22, 2004, Tribal Forest Protection Act of 2004. Authorizes the Secretaries of the Interior and Agriculture to enter into an agreement or contract with Indian tribes meeting project selection criteria established in the Act to carry out projects on NFS lands to protect Indian forest land, rangeland, or tribal communities when the NFS lands are bordering or adjacent.

## **60.2 - Objectives**

The general purpose of stewardship contracting is to achieve land management goals for National Forest System lands while meeting local and rural community needs. Stewardship contracting is a tool and should be used when it is the most effective tool for accomplishing land management objectives. Appropriate uses for stewardship contracting include those listed in section 61.2, exhibit 02.

## **60.3 - Policy**

1. The intent of stewardship contracting is to accomplish resource management with a focus on restoration. Use of stewardship contracting authority to implement projects must be approved by the Regional Forester.

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2. Stewardship contracting projects must be designed to meet the objectives of section 60.2, achieve land management goals identified in the applicable land and resource management plan, and included in environmental documents and decisions developed in accordance with NEPA requirements (FSM 1950 and FSH 1909.15). See section 61.2, exhibit 02 for examples of appropriate stewardship contracting activities.

3. Stewardship contracting activities must be carried out only on National Forest System (NFS) lands and must be administered in accordance with the laws and regulations applicable to NFS lands (FSM 2401), except where specifically exempted as authorized by law (sec. 60.1).

4. Collaboration shall be a part of stewardship contracting project planning and continue throughout the life of the project.

5. The proper use and management of stewardship contracting receipts must be assessed as a normal part of Regional and Forest renewable resource programs and activity reviews.

6. When excess receipts are generated by one project, they should be used for additional approved stewardship contracting projects.

7. Products that may be removed under stewardship contracting authority include timber and other forest products, such as, but not limited to, biomass, seed, forage, fungi, and Christmas trees.

8. Each stewardship contract shall be signed by only one Contracting Officer.

9. Best value, as described in Federal Acquisition Regulations, shall be the basis for evaluating proposals for awarding stewardship contracts and agreements.

## **60.4 - Responsibility**

### **60.41 - Washington Office**

#### **60.41a - Chief**

Section 323 of Public Law 108-7, the Consolidated Appropriations Resolution, 2003, provides the Chief with full authority to enter into and administer an agreement or contract for the purpose of stewardship contracting. The Chief reserves the authority to:

1. Delegate the authority to Regional Foresters to approve the use of stewardship contracting authority as a tool for implementing projects to accomplish land management goals.

2. Delegate stewardship contracting authority to qualified individuals, consistent with the authority and responsibility of Regional Foresters for the sale and disposal of timber and forest products at FSM 2404.26 and FSM 2404.28 (ex. 01).

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3. Delegate the authority to the Director of Acquisition Management, Washington Office, to determine the appropriate contracting officers for procurement activities related to stewardship contracting, consistent with the authority and responsibility of the Director of Acquisition Management at FSM 6304 and FSH 6309.32-FAR (sec. 60.41b).

**60.41b - Director of Acquisition Management, Washington Office**

It is the responsibility of the Director of Acquisition Management, Washington Office to:

1. Coordinate and manage stewardship contracting policies with the Director of Forest Management.
2. Annually, by January 31, in cooperation with the Financial and Accounting Operations Staff and the Forest Management Staff, review Regional stewardship contracting retained receipt balances to identify funds in excess of those needed for additional approved projects. Any identified excess receipts should be directed to additional approved stewardship contracting projects.
3. Ensure that preference program use is considered in cooperation with the Small Business Administration and in compliance with the Federal Acquisition Regulation (FSH 6309.32-FAR).
4. Process source selection plans, source selection approvals, multi-year authorizations, and other required approvals for stewardship contracts falling under the FAR authority.
5. Review the Regions' use of acquisitions to accomplish stewardship contracts.
6. Provide methodology and guidance for use of traditional acquisition elements, including the best value process, and assist Regional Foresters in the contractor source selection process.
7. Coordinate with the Director of Cooperative Forestry to provide guidance on the use of stewardship contracting agreements.
8. Delegate to the Regional Directors of Acquisition Management the authority to determine appropriate contracting officers for acquisition activities related to stewardship contracting.

**60.41c - Director of Financial and Accounting Operations, Washington Office**

It is the responsibility of the Director of Financial and Accounting Operations to:

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1. Provide technical advice on use and accounting for funds used for stewardship contracting activities to the Deputy Chiefs for Business Operations and National Forest System, Regional Foresters, Forest Supervisors, District Rangers, and resource specialists.
2. Implement methodology to track the values of goods and services associated with stewardship contracts.
3. Conduct reviews of the fiscal and accounting operations for stewardship contracting activities.
4. Ensure that financial data in the annual stewardship contracting monitoring report are reconciled to the data in financial statements.
5. Annually, by January 31, in cooperation with the Forest Management Staff and Acquisition Management Staff, review Regional stewardship contracting retained receipt balances to identify funds in excess of those needed for additional approved projects. Any identified excess receipts should be directed to additional approved stewardship contracting projects.

**60.41d - Director of Financial Policy and Analysis, Washington Office**

It is the responsibility of the Director of Financial Policy and Analysis to provide methodology to track the values of goods and services associated with stewardship contracts.

**60.41e - Director of Program and Budget Analysis, Washington Office**

It is the responsibility of the Director of Program and Budget Analysis to provide apportionment authority for obligating stewardship contracting receipts.

**60.41f - Director of Forest Management, Washington Office**

It is the responsibility of the Director of Forest Management to:

1. Jointly coordinate and manage stewardship contracting policies with the Director, Acquisition Management.
2. Advise the Chief on policy and oversee implementation of stewardship contracting policies.
3. Ensure preference program use is considered in cooperation with the Small Business Administration.
4. Annually, by January 31, in cooperation with the Acquisition Management Staff and Financial and Accounting Operations Staff, review Regional stewardship contracting retained receipt balances to identify funds in excess of those needed for additional approved projects.

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Any identified excess receipts should be directed to additional approved stewardship contracting projects.

5. Coordinate programmatic monitoring of the role of local communities and other external stakeholders in development of stewardship contracts and agreements (sec. 68.1) with the assistance of the Director, Cooperative Forestry Staff.

6. Coordinate with the Director, Financial and Accounting Operations Staff to obtain concurrence on financial data to be included in the annual report to Congress (sec. 69).

7. Produce the annual report to Congress on stewardship contracting as required by 16 U.S.C. 2104 Note (sec. 69).

8. Delegate to Regional Foresters the authority to determine appropriate contracting officers for stewardship contracting.

**60.41g - Director of Cooperative Forestry, Washington Office**

It is the responsibility of the Director of Cooperative Forestry to:

1. Advise the Chief on policy for interacting with and providing technical assistance to rural communities associated with community-based forestry opportunities, including stewardship contracting planning and implementation.

2. Provide technical assistance and advice related to stewardship contracting to the Deputy Chief for National Forest System, the Deputy Chief for State & Private Forestry, and Regional Foresters.

3. Assist the Director, Forest Management Staff in coordinating programmatic monitoring of the role of local communities and other external stakeholders in development of stewardship contracts and agreements (sec. 68.1).

4. Provide programmatic direction and technical assistance for the implementation of a range of economic assistance programs in support of developing the capacity of communities to fully participate in the planning and implementation of stewardship contracting, including the development of civic and industrial infrastructure as needed.

5. Coordinate with the Director, Acquisition Management Staff to provide guidance on the use of stewardship contracting agreements.

**60.41h - Other Washington Office Resource Staff Directors**

It is the responsibility of the Directors of the Engineering Staff, Fire and Aviation Management Staff, Recreation, Heritage and Wilderness Resources Staff, and Wildlife, Fish, Watershed, Air, and Rare Plants Staff:

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1. To assist the Director, Forest Management Staff in overseeing the implementation of stewardship contracting as it relates to these staff areas.
2. To provide advice concerning stewardship contracting as it relates to these staff areas to the Deputy Chief for National Forest System and Regional Foresters.

**60.42 - Field Units**

**60.42a - Regional Foresters**

The responsibilities noted below cannot be redelegated to a lower level.

It is the responsibility of each Regional Forester to:

1. Approve the use of stewardship contracting as a tool to implement stewardship contracting projects (sec. 61) and, in addition, to:
  - a. Review and approve retention of residual receipts generated from a project where those residual receipts will be transferred to another approved project;
  - b. Review Forest reports of retained receipt balances and identify all excess retained receipts to the Washington Office each year in conjunction with Annual Trust Fund Analysis Reporting requirements (sec. 67.1).
2. Review documentation submitted by Forest Supervisors associated with the contractor selection process (sec. 63.1).
3. Set priorities for stewardship contracting projects within the Region.
4. In consultation with the Director of Acquisition Management, Washington Office, advise Forest Supervisors on the appropriate use of stewardship contracts and agreements and the determination and assignment of contracting officers for specific projects.
5. Delegate management oversight responsibility of stewardship contracting activities to a Regional Staff Director.
6. Establish supplemental direction for Forest Supervisors' annual reviews of stewardship contracting activities, where appropriate, to determine if reported financial information is reasonable and consistent with actual workloads and costs and to follow up on any identified discrepancies.
7. Ensure that Forest Supervisors review all stewardship contracting projects that were offered and did not receive bids. Reconfigure stewardship contracting projects to accomplish restoration objectives.

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8. Ensure that Forests provide adequate and timely input into the monitoring and evaluation process for stewardship contracting (sec. 68), including updating of stewardship contracting accomplishments for each project (sec. 69).

9. Provide technical expertise to Forest Supervisors on the appropriate use of stewardship contracting agreements for projects (sec. 64).

10. Delegate by letter stewardship contracting authority to qualified individuals, consistent with the authority and responsibility of Regional Foresters and other line officers for the sale and disposal of timber and forest products (FSM 2404) and stewardship contracting (sec. 60.41a, para. 1).

11. In consultation with the Director of Acquisition Management, regional office, and the regional director with responsibility for timber management assign a contracting officer to each stewardship contract, or delegate to a named individual contracting officer authority on a given contract type (Integrated Resource Timber Contracts (IRTC), or Integrated Resource Service Contracts (IRSC)).

12. Approve use of retained receipts for project level process monitoring.

13. Approve or deny any tribal request under the Tribal Forest Protection Act of 2004.

**60.42b - Forest Supervisors**

It is the responsibility of the Forest Supervisor to:

1. Review proposals for use of stewardship contracting and recommend proposals for Regional Forester approval, and identify Forest priorities for stewardship contracting projects.

2. Ensure that all stewardship contracting projects are in accordance with land and resource management plan objectives, and are developed in collaboration with cooperating federal, State, and local agencies, tribal governments, non-government organizations, local communities, and any interested groups or individuals, as appropriate.

3. Review and approve proposed revisions to stewardship contracts under approved stewardship contracting projects.

4. Document and provide to the Regional Forester all reasons for the use of less than full and open competition associated with selection of stewardship contractors based on “best value.”

5. Ensure agreements used to implement stewardship contracting projects are in accordance with law, regulation, and the direction in this chapter.

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6. Review with responsible District Ranger all stewardship contracting projects that were offered and did not receive bids. Reconfigure stewardship contracting projects to accomplish restoration objectives.

7. Coordinate with the field Law Enforcement and Investigations Staff on stewardship contracting projects involving removal of products.

8. Approve monitoring activities and determine the appropriate levels of use of retained receipts and appropriated funds in support of project level multi-party process monitoring.

9. Prepare proposal response and recommendation for Regional Forester decision for tribal requests made under the Tribal Forest Protection Act of 2004.

**60.42c - District Rangers**

It is the responsibility of the District Ranger to:

1. Develop stewardship contracting projects in accordance with land and resource management plan objectives and the goals of 16 U.S.C. 2104 Note (sec. 61.02) using collaboration (sec. 61.12).

2. Ensure early and continued involvement of the appropriate technical specialists in proposing, planning, executing, and monitoring stewardship contracting projects (sec. 61-68).

3. Revise stewardship contracting plans for activities within project areas as necessary and as directed by the Forest Supervisor.

4. Consider the analysis and advice of the project planning interdisciplinary team and the information generated during collaboration when recommending stewardship contracting projects or when identifying required improvement projects to the Forest Supervisor.

5. Ensure stewardship contracting projects are clearly related to needs identified in National Environmental Policy Act (NEPA) documentation and the goals of 16 U.S.C. 2104 Note (sec. 61.1).

6. Combine projects where appropriate to maximize use of equipment, supplies, and people to benefit a variety of resources.

7. Make a determination of the local community appropriate to a project and work in collaboration with interested parties during project design, as well as implementation.

8. Consult with the Forest Supervisor to resolve any questions regarding appropriate use of stewardship contracting residual receipts (sec. 67.1).

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9. Prepare plans for use of residual receipts as appropriate. Such plans may include Sale Area Improvement (K-V) plans (ch. 10 of this Handbook) and Salvage Sale Fund Plans (FSH 2409.18, ch. 50).

10. Provide the Forest Supervisor with documentation that shows an annual review of stewardship contracting activities, including the separate tracking of the values of the goods being sold and the services received for each project.

11. Each fiscal year, update the stewardship contracting accomplishments for each project (sec. 69).

12. Coordinate multi-party monitoring of stewardship contracting projects, as appropriate (sec. 68).

13. Review with the Forest Supervisor all District stewardship contracting projects that were offered and did not receive bids.

14. Receive and acknowledge tribal requests made under the Tribal Forest Protection Act of 2004 and make recommendations to the Forest Supervisor.

### **60.5 - Definitions**

Agreement. A formal written document between parties indicating how actions will be taken on stewardship contracting projects. Stewardship contracting agreements must be awarded on a best value basis.

Best Value Basis. The expected outcome of an acquisition that, in the Government's estimation, provides the greatest overall benefit in response to the requirements of the acquisition. It is the process of selecting a contractor based on price and non-price criteria. Evaluation factors may include, but are not limited to, past performance, work quality, experience, and benefits to the local community. Best Value is required for all stewardship contracts and agreements.

Collaboration. A process through which parties who sees different aspects of a problem can constructively explore their differences and search for solutions that go beyond what any one group could envision alone. See section 61.12 for further direction.

Designation by Description. A method of designating trees for removal, without marking individual trees, by describing the trees to be removed based on characteristics that can be verified after removal; for example, lodgepole pine less than a specified stump diameter. Designation by description may be used for commercial or noncommercial material. See section 61.3 for further direction.

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Designation by Prescription. A method of designating trees for removal by describing the desired end result of the treatment; for example, retain 60 percent basal area. Designation by prescription may be used for noncommercial material or for commercial material when, for payment purposes, the quantity of products removed is determined post harvest. See section 61.3 for further direction.

Excess Offset Value. In accordance with 16 U.S.C. 2104 Note, the net value available to the Government when the value of goods exceeds the cost of services under a stewardship contract. Payments received as a result of excess offset value are considered residual receipts.

Excess Receipts. Receipts that have not been retained for a specific project or transferred to another stewardship contracting project.

$$\text{Excess Receipts} = \text{Retained Receipts} - \text{Transfer Receipts}$$

Interdisciplinary Process. The process used to evaluate opportunities and impacts associated with a resource management proposal under the National Environmental Policy Act (NEPA). In this process, a group of specialists assemble as a cohesive team with frequent interaction to solve a problem or perform a task.

Local Community. An area determined by the local line officer. The definition of local community is directly related to the project and community involved. In some cases, the local community might be defined by an area within a 15- to 20-mile radius from the project area, while other times it might be described as a county, group of counties, hub zone, and so forth. See section 61.13 for further direction.

Multi-party Monitoring. A process for assessing the effectiveness of stewardship contracting in meeting the goals of 16 U.S.C. 2104 Note that involves the Forest Service, cooperating federal, state, and local agencies, tribal governments, local communities, non-governmental organizations, and any interested groups or individuals.

Multiple Year Contract. A contract for procurement of supplies or services over several designated program years that requires establishment of a renewal option for each program year after the first year. The renewal option must be exercised to continue the contract for each designated program year after the initial year. An integrated resource service contract may be a multiple year contract.

Multi-year Contract. A contract for the procurement of supplies or services over several designated program years that does not require establishing and exercising an option for each program year after the first year. A multi-year contract may provide that performance under the contract during the second and subsequent years of the contract is contingent upon the

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appropriation of funds and may provide for a cancellation payment to be made to the contractor if appropriations are not made. For the purposes of stewardship contracting, a multi-year contract can extend up to 10 years. Multi-year contracts should not be confused with multiple year contracts. An integrated resource service contract may be a multi-year contract.

Payment Bond. As related to an Integrated Resource Service Contract or Service Contract, a form of security assuring payment as required by law to all persons supplying labor or material in the performance of the work provided for in the contract (FAR Part 28.001 Definitions).

Payment Bond. In the context of an integrated resource timber contract, a form of security assuring payment of advance deposits for stumpage and required deposits until paid by the contractor. Stumpage is the value of timber to be cut and removed in the next 60 days or value of timber in payment units released for cutting.

Performance Bond.

a. In the context of an integrated resource service contract, a bond to cover:

- (1) Charges for cut timber not yet removed.
- (2) The estimate of timber to be cut in the next 60 days.
- (3) The value of the timber in payment units released for cutting.

b. In the context of an integrated resource timber contract, a bond to:

- (1) Assure completion of work activities released under a task order.
- (2) To protect the interest of the United States (when needed).

See section 65.1 for additional information.

Qualified Individuals. Personnel who have been recognized by the Forest Service through accreditation or delegation to perform specialized duties related to the management of National Forest System lands by completing required training, having accumulated sufficient experience, and having demonstrated the ability to perform at an acceptable level.

Residual Receipts. The receipts generated by a stewardship contract when the receipts from goods exceed the cost of services rendered. Residual receipts may be transferred to other stewardship contracts when approved in advance by the Regional Forester in accordance with sections 67.1 and 67.3.

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Retained Receipts. Residual receipts available for transfer to another stewardship contract. Retained receipts become transfer receipts upon allocation and distribution to another stewardship contracting project. See section 67.2 for approved uses of retained receipts.

Stewardship Contracting Projects. Those projects approved by the Regional Forester as appropriate to be accomplished using stewardship contracting authority in accordance with 16 U.S.C. 2104 Note, the Federal Acquisition Regulation (FSH 6309.32-FAR), and Forest Service regulations at 36 CFR part 223.

Stewardship Credits. The credits earned by a stewardship contractor in the performance and acceptance of required service work. Stewardship credits are applied toward the value of the products (goods) removed.

Task orders. Formal written direction to a contractor on agreed work items to be performed in a specified time frame. Task orders normally will reflect work to perform during a fiscal year.

Transfer Receipts. Residual receipts that have been transferred to another stewardship contract.

Warrant. A written document providing clear instructions regarding the limits of a delegated authority to a procurement Contracting Officer. Warrant limitations are based on training, experience, and need for resources.

## **60.6 - References**

The following Forest Service Manual chapters and Handbooks (ex. 01) contain related direction necessary to fully carry out stewardship contracting.

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**60.6 - Exhibit 01**

**List of Forest Service Manual and Handbooks Containing Related Direction  
To Follow in Stewardship Contracting**

<b><u>Topic</u></b>	<b><u>FSM and FSH Reference</u></b>
Acquisition Management	FSH 6309.32, Federal Acquisition Regulation (FAR)
Agreements	FSM 1580, Grants, Cooperative Agreements, and Other Agreements FSH 1509.11, Grants, Cooperative Agreements, and Other Agreements Handbook
Appropriation Use	FSH 6509.11g, Service-Wide Appropriation Use Handbook
Contract Administration	FSH 2409.15, Timber Sale Administration Handbook
Environmental Policy and Procedures	FSM 1950, Environmental Policy and Procedures FSH 1909.15, Environmental Policy and Procedures Handbook
Quantity of Goods	FSH 2409.11, National Forest Log Scaling Handbook FSH 2409.11a, National Forest Cubic Scaling Handbook FSH 2409.12, Timber Cruising Handbook
Residual Receipts	FSM 2430, Commercial Timber Sales FSH 2409.18, Timber Sale Preparation Handbook FSH 2409.19, Renewable Resources Handbook
Special Forest Products	FSH 2409.18, Timber Sale Preparation Handbook (Chapter 80, Uses of Timber Other Than Commercial Timber Sales)
TSA Statement of Account	FSH 6509.17, Automated Timber Sale Accounting Handbook (sec. 22.3, Form FS-6500-174, Timber Stumpage Distribution and Associated Charge Basic Contract Data)
Treasury Symbol	ID to FSH 6509.11k, Chapter 50
Trust Fund Accounts	FSH 2409.19, Renewable Resources Handbook
Valuation of Goods	FSH 2409.18, Timber Sale Preparation Handbook

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## **61 - PLANNING STEWARDSHIP CONTRACTING PROJECTS**

1. Line officers may use stewardship contracting as a tool to achieve restoration objectives that have been identified through the normal planning and National Environmental Policy Act (NEPA) processes. There is no specific, separate direction to follow in planning of stewardship contracting projects, except that:

- a. Projects are to be developed collaboratively with cooperating Federal, state, and local government agencies; tribal governments; non-governmental organizations; and any interested groups or individuals, including resource advisory committees, fire safe councils, resource conservation districts, and watershed councils. Project proposals can be initiated from external sources as well as from within the agency.
- b. Stewardship contracting projects and resource activities should be grouped into reasonable segments to allow efficient use of equipment and to encourage obtaining maximum value for the public.
- c. Public input from a collaborative group and other stakeholders should be used to guide the agency in determining specific lands to be treated and types of restoration work activities to be conducted.
- d. If a collaborative group exists, the agency staff and the interdisciplinary team should be well informed of the recommendations and underlying rationale of the collaborative group.
- e. Projects which were originally designed to implement land management objectives, using either a standard service contract or timber sale, and have completed NEPA analysis, can be approved as stewardship projects. Review of the Purpose and Need of the decision document should indicate that the work activities associated with the stewardship contracting project have a restoration basis. Existing projects proposed to use stewardship authorities must be consistent with the land management goals stated in 16 U.S.C. 2104 Note, (b).
- f. Agency staff should complete the stewardship contracting proposal form and submit to the Regional Forester for approval.
- g. Stewardship contracting is a tool for meeting resource objectives and should not be included in the NEPA document and decision notice as a requirement of the project.
- h. Mitigation measures included in the NEPA document and/or decision notice and required to be completed are to be included as mandatory items in the contract.

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2. Stewardship contracting projects differ from other timber sale projects in the following manner:

- a. Stewardship contracts shall be selected on a best value basis, contracts may use a performance-based format to meet end result objectives, and the service contract length may exceed 5 years but must not exceed 10 years;
- b. The Forest Service unit may apply the value of timber or other forest products removed as an offset against any services received;
- c. Designation and marking of trees, portions of trees, or special forest products may be done by persons not employed by the Secretary of Agriculture in accordance with 16 U.S.C. 2104 Note;
- d. Trees and special forest products may be sold without advertisement regardless of value in accordance with 16 U.S.C. 2104 Note (sec. 61.5);
- e. Monies received from the sale of forest products or vegetation removed under a stewardship contract may be applied at the project site or at another stewardship contracting project site without further appropriation;
- f. The Knudsen-Vandenberg (K-V) Act (16 U.S.C. 576) does not apply to monies received from the sale of forest products or vegetation removed under a stewardship contract; however, K-V collections may be made and expended on appropriate K-V projects in accordance with chapters zero code, 10, and 20 of this handbook, including the requirement that K-V funds cannot be collected to administer activities funded with residual receipts from stewardship contracts (sec. 13.5, para. 3).
- g. Deposits may be collected pursuant to the Deposits from Brush Disposal Act (16 U.S.C. 490) and the Cooperative Funds Act (16 U.S.C. 504) even if the trees were removed through a service contract (contract logging).

## **61.1 - Environmental Analysis**

All stewardship contracting projects must comply with the National Environmental Policy Act (NEPA) following the procedures set out in FSH 1909.15. Multiple NEPA documents may be used for a single stewardship contracting project.

### **61.11 - Appeals**

1. All projects shall be subject to applicable agency appeals and dispute resolution processes in accordance with Title 36, Code of Federal Regulations, part 215.

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## **61.12 - Collaboration**

While the enabling legislation does not specifically mention collaboration in stewardship contracts, the Secretaries of Interior and Agriculture have directed the Forest Service and the Bureau of Land Management to involve States, counties, local communities, and interested stakeholders in a public process to provide input on implementation of stewardship contracting projects. Effort should be made to involve a diversity of local interests and engage key stakeholders in collaboration throughout the life of the project, from project design through implementation and monitoring.

### **61.12a - Principles of Collaboration**

1. Identify and Involve Relevant Stakeholders. The line officer at the appropriate level shall seek to involve the public in a collaborative manner while developing each stewardship contracting project, seeking early involvement of Federal, state, and local government agencies; tribal governments; non-governmental organizations; local communities; and interested groups or individuals, including resource advisory committees, fire safe councils, resource conservation districts, and watershed councils. Contractors representing a cross-section of businesses, including timber industry representatives should also be part of the collaborative group, however, contractors and timber sale purchasers shall not participate in the design of work activities, development of requirements and specifications, or in the formulation of the Statement of Work (FAR 8.405-2, (b)).

The authorized Forest officer may initiate a collaborative group if one does not exist, provide information and data to the group, and have the Forest Service participate as a member, but not chair or direct the collaborative group. Care must be taken to comply with the Federal Advisory Committee Act (FACA) (5 U.S.C. Appendix 2). For questions on FACA considerations, consult local or regional FACA experts or the Office of General Counsel. Collaboration for stewardship contracting projects is typically expected to go beyond the public involvement requirements of NEPA analysis. This involvement should begin at the project design stage and continue throughout the life of the project.

2. Design a Strategy to Conduct an Open, Inclusive, and Transparent Process. Clear objectives, roles, and responsibilities should be established for all participants at the beginning. The process should create incentives for a variety of stakeholders to participate, yet the decision space should be clearly defined at the start. The Forest should clearly explain stewardship contracting, share ideas, and ask for input from collaborators. Forest Service employees should not ask the group for a consensus decision, rather the collaborators should share ideas and

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priorities with the line officer. The method for facilitating the collaborative process should be discussed and decided upon early in the process. Consider using skilled facilitators to assist in creating a constructive dialogue. The line officer should work to set realistic expectations, while encouraging participants to think creatively, optimistically, and pragmatically throughout the process. It should be clear from the outset that the decision is the sole purview of the responsible line officer.

3. Plan for Implementation and Evaluation as Part of the Collaborative Effort.

Information should be shared widely and continuously. Possible sources include: assessment of communities at risk, current vegetative conditions with respect to the likelihood of severe wildland fire, threats to key habitat, water quality, and air quality, local economic data, and the risk of trade-offs inherent to active management. Utilize local knowledge in conjunction with scientific research. In some cases, some activities involved in a stewardship contracting project may have had environmental analysis completed prior to developing the stewardship contracting proposal (sec. 61). Commitments made by the line officer to the collaborative group are to be honored, consistent with existing laws and regulations. The collaborative group may remain involved in monitoring after project completion.

**61.12b - Resources for Collaboration**

The following websites provide additional information related to collaborating effectively with local communities:

1. Forest Service Stewardship Contracting. An internal and external website containing resources for collaboration, including frequently asked questions about collaboration and collaboration lessons learned from past Forest Service stewardship contracting projects.

2. Forest Service Partnership Office. A website functioning as a clearinghouse of information and tools to help partners and Forest Service employees initiate, learn about, and work with partnerships and collaboration. The information on the website includes a partnership/collaboration capacity tool and examples of successful collaborative efforts. A comprehensive listing of available beginning, intermediate and advanced training in collaboration can also be found on this site.

3. Red Lodge Clearinghouse. A website that provides resources and case studies, as well as contact information, for collaboration practitioners (organized by State).

**61.13 - Identifying Local Community**

The identification of what constitutes a local community is pertinent both to collaboration and to evaluation of submitted stewardship proposals. The parameters of local community must be defined for each stewardship contracting project and used consistently across all contracts and/or agreements used to accomplish the goals of the project. The definition of local varies

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significantly depending on the unique and varying scope of each stewardship contracting project. The definition must be considered in relation to the effect it would have on local and rural resource availability, geographical reasonableness, and the location of work under the stewardship contracts or agreements.

The local line officer shall, based on consultation with appropriate sources, make the determination of local community. Unit Acquisition Management Staffs routinely define local for procurement purposes using the Federal Acquisition Regulation (FSH 6309.32-FAR) as a guide and, therefore, can assist in determining the definition for stewardship contracting projects during the early stages of project development. Feedback from collaboration should also be considered in the determination of local community.

#### **61.14 - Internal Stewardship Contracting Project Team**

Line officers should involve a team made up of appropriate contract or agreement specialists, financial management specialists, and resource management specialists early in the development of stewardship contracting projects. This internal stewardship contracting project team can work in collaboration with the public, coordinate the needs and roles of various Forest Service staffs, and provide recommendations on decisions relative to a project. Such early involvement facilitates development of stewardship contracting projects that are feasible and can be implemented in accordance with appropriate authorities (section 60.1). Development of feasible projects helps to maintain credibility with the local community.

#### **61.15 - Compliance with Existing Plans and Regulations**

All stewardship contracting projects must be consistent with plans relevant to the project including land and resource management plans, range allotment plans, fire management plans, and facilities master plans. All projects shall comply with applicable laws, regulations and agency direction affecting the project areas, including those addressing wilderness areas, endangered species, clean air and clean water, inventoried roadless areas, and any other requirements for designated special areas. All contracts and agreements shall comply with applicable laws, regulations, and agency direction.

#### **61.16 - Identification of Project Areas**

The size of stewardship contracting project areas varies, but generally should be the size reasonable to include in the appropriate contract or agreement. In most instances the various elements of a stewardship contracting project should be geographically related. An example of a stewardship contracting project area boundary might be a major drainage area (usually 6th order Hydrologic Unit Code (HUC) or smaller) or an appropriate geographic boundary. The project location and size should be determined through the collaborative process considering the objective of local workforce benefits and other benefits tied to the scale of rural community economics.

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**61.2 - Appropriate Use of Stewardship Contracting**

Use the chart in exhibit 01 to determine if stewardship contracting is the appropriate tool to accomplish proposed treatments. Exhibit 02 lists examples of the types of activities that may be performed using stewardship contracting. The list is not intended to be all inclusive and determination whether or not to use stewardship contracting as a tool ultimately lies with the line officer.

**61.2 - Exhibit 01**

**IS STEWARDSHIP CONTRACTING THE RIGHT TOOL TO USE?**

STEWARDSHIP CONTRACTING

COULD THE PROPOSED PROJECT UTILIZE ONE OR MORE OF THE FOLLOWING STEWARDSHIP OPPORTUNITIES?

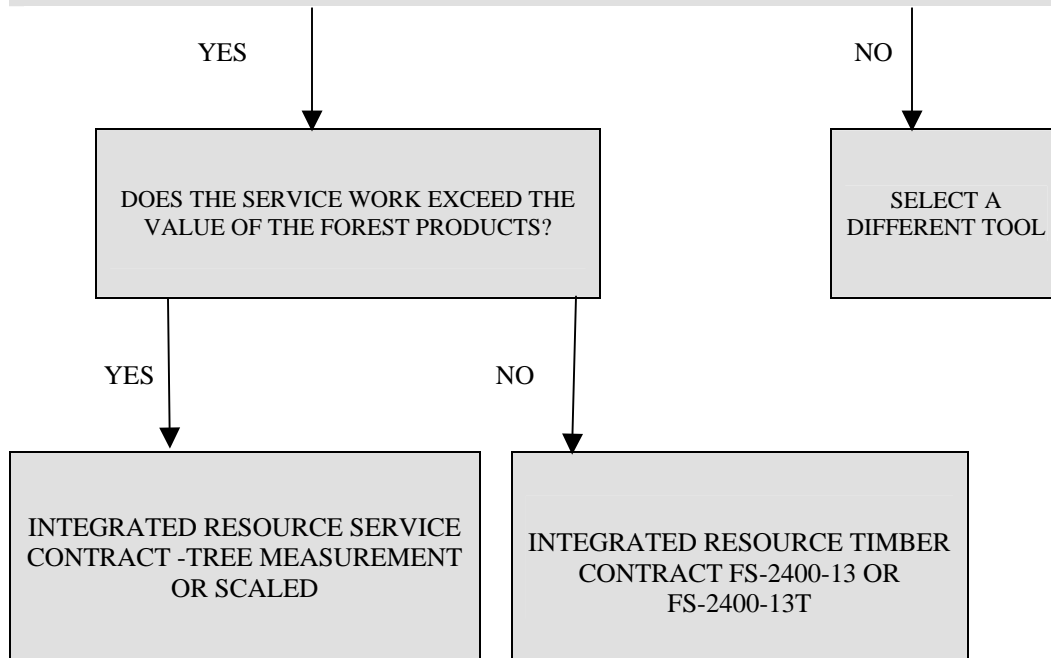
- Ability to bundle several contracts into one and treat a larger landscape scale
- Ability to trade goods for services
- Ability to retain receipts from forest products and apply the receipts to needed service work within the stewardship project area
- Ability to retain receipts and transfer them to another approved stewardship project
- Use multiyear contracts up to 10 years
- Up-front collaboration with government agencies (federal, State, local), Tribal governments, local communities, non-governmental organizations, and any interested groups or individuals (NEPA scoping is not adequate collaboration)
- Best value contracting

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**61.2 - Exhibit 01--Continued**

DOES THE PROPOSED ACTION MEET ONE OF THE SEVEN LAND MANAGEMENT GOALS  
CONTAINED IN THE LAW?

1. Road and trail maintenance or obliteration to restore or maintain water quality
2. Soil productivity, habitat for wildlife and fisheries, or other resource values
3. Setting of prescribed fires to improve the composition, structure, condition and health of stands or improve wildlife habitat
4. Removing vegetation or other activities to promote healthy forests, reduce fire hazards, or achieve other land management objectives
5. Watershed restoration and maintenance
6. Restoration and maintenance of wildlife and fish habitat
7. Control of noxious weeds and exotic weeds, and re-establishment of native plant species



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**61.2 - Exhibit 02**

**Examples of Appropriate Stewardship Contracting Activities**

1. Road and trail maintenance or obliteration to restore or maintain water quality.
  - a. Obliterate and restore productivity on unneeded roads and travel ways
  - b. Install gates or traffic control barriers
  - c. Clear trails within an area or obliterate and relocate a section of trail to improve water quality
  - d. Road maintenance in those areas needed to reduce degradation of water quality
  - e. Repair/replacement of an outhouse in a primitive campsite currently degrading water quality
2. Soil productivity, habitat for wildlife and fisheries, or other resource values.
  - a. Rip or till compacted soils
  - b. Replace a culvert obstructing fish passage to benefit fisheries
  - c. Enhance special forest product harvest opportunities through appropriate site treatments
  - d. Construct nest boxes, tree cavities, guzzlers, or water catchments
  - e. Restore an area burned by wildfire
  - f. Maintenance/refurbishment of existing established land lines if needed to complete other work items in a stewardship contract/agreement.
3. Setting of prescribed fires to: reduce wildfire hazards, improve the composition, structure, condition, and health of forest stands; or to improve wildlife habitat.
  - a. Conduct prescribed burns to reduce fuels
  - b. Conduct prescribed burns to enhance forest and rangeland ecosystems
  - c. Conduct prescribed burns to enhance wildlife habitat

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**61.2 - Exhibit 02--Continued**

4. Removing vegetation or other activities to promote healthy forest stands, reduce wildfire hazards, or achieve other land management objectives.
  - a. Remove biomass to reduce fuel hazard
  - b. Masticate or mow surface and ladder fuels
  - c. Thin trees to enhance growth or improve resistance to insects and disease
  - d. Allow grazing of a fuel break outside an allotment to reduce fire hazard
  - e. Remove forage outside allotments to reduce fire hazard
  - f. Maintain or establish water sources (stock tanks, guzzlers)
5. Watershed restoration and maintenance.
  - a. Plant riparian vegetation and stabilize stream banks
  - b. Place large woody debris in streams to control stream temperature and provide vegetative cover
  - c. Clean up existing landslide debris
  - d. Conduct fire rehabilitation and restoration work
6. Restoration and maintenance of wildlife and fish habitat.
  - a. Manipulate vegetation to improve habitat connectivity
  - b. Improve or enhance wetland habitat
  - c. Maintain, establish, or create permanent wildlife openings and fish structures
7. Control of noxious and exotic weeds and reestablishment of native plant species.
  - a. Treat noxious weeds
  - b. Plant American chestnut seedlings

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## **61.21 - Limitations on Use of Stewardship Contracting**

Do not use stewardship contracts or retained receipts (sec. 67.2) generated by stewardship contracts for the following activities or similar activities listed in 61.21, exhibit 01.

### **61.21 - Exhibit 01**

#### **Examples of Inappropriate Stewardship Contracting Activities**

1. Forest Service overhead costs.
  - a. Utilities
  - b. Rent
  - c. Office rental
2. Forest Service salaries for contract design, preparation, or administration.
  - a. District staff salary
  - b. Contracting officer salary
  - c. Engineering staff salary
3. Project planning or environmental analysis.
  - a. NEPA contract
  - b. Interdisciplinary team salary
  - c. Preparation of burn plans
4. Construction of administrative facilities or major developed recreation facilities.
  - a. Construction of visitor information centers
  - b. Construction of warehouses
  - c. Construction of office space
  - d. Construction of developed campgrounds

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**61.21 - Exhibit 01--Continued**

5. Utilization of forage within an allotment that could be authorized through a grazing permit.
  - a. Allowing grazing within an allotment boundary to reduce fire hazard
6. Protection, operation, or maintenance of improvements resulting from stewardship projects.
  - a. Maintenance of nest boxes installed through stewardship contracting
7. Inventories.
  - a. Cultural resource surveys
  - b. Silvicultural needs survey
  - c. Threatened, endangered, and sensitive species surveys
8. Research.
  - a. Research on the effectiveness of thinning on fire behavior
9. Preparation and planning of administrative studies.
  - a. Setting up a study area and control to study the effects of thinning on fuels
10. Land Acquisition.
  - a. All activities associated with land exchanges or acquisition
  - b. Surveying and location of national forest boundaries

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## **61.22 - Contractor Requirements**

Certain actions arising from the removal of products are the responsibility of the contractor under a stewardship contract. Those responsibilities must be identified in the contract or agreement. Ensure the contractor receives stewardship credit only once for performing an activity. Examples of activities for which the contractor is responsible include, but are not limited to:

1. Closing or rehabilitating roads used for stewardship contracting activities.
2. Establishing vegetation and controlling erosion for road banks, landings, and skid trails used during stewardship contracting activities.
3. Repairing structures or facilities, such as trails or fences damaged during stewardship contracting activities.

## **61.3 - Designation without Marking**

Title 16 U.S.C. 2104 Note (c) (4) (sec. 60.1) allows for the use of designation of trees by description and designation of trees by prescription. These methods must be used in a manner that ensures that the amount of material removed is verifiable and accountable.

1. Designation by Description. Designation by description (DxD) may be used for both commercial and noncommercial material, independent of the means of estimating the quantity of material to be removed. DxD should be used only when it is the most efficient method of designation and when several individuals applying the description on the ground would arrive at the same end result. The trees to be cut, or left, are designated according to the description and not left to the discretion of the contractor. The description must be based on characteristics that can be verified after the material is removed; for example, a certain species of tree with a given stump diameter. Clearly identify the boundaries of the area from which material is to be removed in accordance with FSH 2409.12, section 71.22. Washington Office special provisions, or regional special provisions approved by the Washington Office, are to be used for all designation of trees by description. Examples of appropriate use of DxD include:

- a. Uniform stands of one species with a narrow diameter-breast-high (dbh) range thinned to a specified spacing.
- b. Removing all of one species in a stand.
- c. Removing all trees down to a specified stump diameter or diameter range.
- d. Opening up a stand to a specified crown closure that leaves the desired trees that will meet the management objective.

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- e. Removing all of one product from a stand.
- f. Removing every third row in a pine plantation starting with row two.

2. Designation by Prescription. Designation by prescription (DxP) may be used for noncommercial material or for low value commercial material when, for payment purposes, the quantity of products removed can be determined post harvest. When leave tree marking, the authorized officer shall ensure that the contractor marks leave trees with non-tracer paint and shall inspect and approve the marking prior to cutting. Clearly identify the boundaries of the area from which material is to be removed in accordance with FSH 2409.12, section 71.22. Washington Office special provision or regional special provisions approved by the Washington Office must be used for all designation of trees by prescription. Examples of appropriate use of DxP include:

- a. Thinning a stand to a 120 basal area factor.
- b. Leaving 10 scattered wildlife trees greater than 21 inches dbh, identified by species, per acre.
- c. Thinning to a 15' x 15' ± 2' spacing, always retaining healthy larger trees when selecting the leave tree.

In DxP, the contractor selects the trees to be cut or left. This type of tree designation requires close on-the-ground monitoring by the contract administrator.

#### **61.4 - Estimating Value and Cost**

1. The value of a stewardship contracting project is based on the sum of the product value and service work combined. For example, if the product to be removed is valued at \$400,000 and the service work is valued at \$500,000, the project value is \$900,000. Forest products shall be appraised at fair market value. The estimated value of the stewardship contracting project shall be determined early in the project to assist in determining the appropriate contract type(s), identifying restoration work activities, assessing the economics of the project for NEPA, and determining the need for additional funds (either retained receipts from another approved stewardship project, appropriated funds, or cooperator contributions). An appraisal should be completed again as part of contract preparation to finalize mandatory and optional restorative work activities.

- a. Estimating Value of Service Work. The estimated costs of the service work shall be determined using approved methods, as defined by the local procurement contracting officer, based on the type of work being proposed.
- b. Estimating Value of Products. The appraisal of timber and other forest products shall be conducted using appraisal methods as specified in the Timber Sale Preparation Handbook (FSH 2409.18, ch. 40) and Regional guidelines. The volume

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of products to be appraised should be determined using standard techniques. In salvage sales, for appraisal purposes, estimate the volume of trees to be removed at the mid-point of the contract length. Minimum rates for forest products, as defined in FSM 2431.31b, are waived in the appraisal of forest products for stewardship contracting projects.

c. Integrated Resource Timber Contract. In the integrated resource timber contract, a rate redetermination for the value of materials to be removed shall be scheduled and conducted in accordance with Special Provision K/T-D.3.5# Scheduled Rate Redetermination (included in the Integrated Resource Timber Contract). Base rates are only applicable to essential reforestation when it is determined to be in the best interest of the government for the Forest Service to do the work. The cost of essential reforestation is to be entered into the appraisal to assure adequate appraised rates to collect needed funds.

### **61.5 - Sale Without Advertisement**

The authority to sell products without advertisement (sec. 60.1) must be used judiciously to provide reasonable opportunities to contractors and to protect the interest of the Government by obtaining the best value for goods removed. Document the rationale for non-advertisement in the proposal submitted to the Regional Forester for approval as a stewardship contracting project or as part of the project folder.

### **61.6 - Approval of Stewardship Contracting Projects**

1. It is the responsibility of the Forest Supervisor to present proposed stewardship contracting projects to the Regional Forester for review and approval. The request for approval must include appropriate information about the proposed project, such as, the land management goals of the project, stewardship contracting authorities and the method of contracting to be used, the value of products to be removed, the value of services to be received, the value of goods to be exchanged for services, contributed funds or work to be received, and expected residual receipts from the project. The Washington Office Forest Management website contains a sample proposal format.

2. After reviewing a proposed project, the Regional Forester shall approve or disapprove the project through a formal written reply in correspondence to the Forest Supervisor. Only the projects and associated work activities approved by the Regional Forester with completed NEPA analysis are to be included in stewardship contracts.

## **62 - SELECTING STEWARDSHIP CONTRACTS**

The Forest Service may use all available authorities to involve a wide range of contractors or recipients. Methods could include full and open competition, Small Business Preference Programs (procurement), the Javits-Wagner-O'Day Program (designed to provide employment

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for blind people and people with disabilities), Small Business Sawmill Programs, multi-year contracts, multiple year contracts with optional years, commercial items, or performance-based service contracting. The authority to be used shall be determined based on the goals of the individual stewardship contracting projects, market research, and feedback resulting from collaboration.

### **62.1 - Contract Type**

There are five contract types approved for use in stewardship contracting projects:

1. Integrated resource timber contract-scaled;
2. Integrated resource timber contract-tree measurement;
3. Integrated resource service contract-scaled;
4. Integrated resource service contract-tree measurement;
5. Service contract.

The contract type selected for approved stewardship contracting projects should be appropriate in completing planned restoration activities and in meeting restoration and community objectives. The four integrated resource contracts may be obtained from the Washington Office Forest Management website. Exhibit 01 contains a matrix for determining the appropriate type of integrated resource contract to use in a particular situation.

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**62.1 - Exhibit 01**

**Stewardship Contract Use Matrix**

Type of Use	CONTRACTS			
	Integrated Resource Timber Contract (IRTC) FS-2400-13 Scaled	Integrated Resource Timber Contract (IRTC) FS-2400-13T Tree Measurement	Integrated Resource Service Contract (IRSC) Scaled	Integrated Resource Service Contract (IRSC) Tree Measurement
Best Value Required	Yes	Yes	Yes	Yes
Use for Premeasured Sales	No	Yes	No	Yes
Use for Scaled Sales	Yes	No	Yes	No
Trade Goods for Services	Yes	Yes	Yes	Yes
Retain Receipts	Yes	Yes	No	No
Less than Full and Open Competition Allowed	Yes	Yes	Yes	Yes
Full NEPA compliance required	Yes	Yes	Yes	Yes
Advertise Contracts	Yes	Yes	Yes	Yes
Contracting Officer	Timber	Timber	Service	Service
Maximum Length of Original Contract	10 Years	10 Years	10 Years	10 Years
Service Contract Act (SCA) wages required	No	No	Yes <u>5/</u>	Yes <u>5/</u>
Davis-Bacon Act wages required	No	No	Construction only	Construction only
Local woods wage rates applicable	Yes	Yes	No	No
Special Requirements Allowed	Yes	Yes	Yes	Yes
Payment at Flat Rates	Yes	Yes	Yes	Yes
Payment at Escalated Rates <u>1/</u>	Yes	Yes	No	No
Associated Charges (Road Maintenance, Scaling, and Slash Deposits)	Yes	Yes	Yes	Yes
KV/SSF/BD Fund Plans Allowed	Yes	Yes	No	No
Export Requirements West of 100th Meridian	Yes	Yes	Yes	Yes
Painting and Branding West of 100th Meridian	Yes	Yes	Yes	Yes
Contract Modification Allowed	Yes	Yes	Yes	Yes
Contract Term Extension	Yes	Yes	No	No
Additional Timber Allowed	Yes	Yes	Yes	Yes
Type of Bond Security	Any <u>6/</u>	Any <u>6/</u>	Any	Any
Use of Payment Guarantees	Yes	Yes	Yes	Yes
Periodic Payments Required	No	No	No	No
Downpayment Required	No	No	No	No
Bid Guarantee	No	No	Waived	Waived
Performance Bond Required	Optional <u>7/</u>	Optional <u>7/</u>	<u>8/</u>	<u>8/</u>
Cooperative Agreements Allowed	Yes	Yes	Yes	Yes
SBA Set-aside Sales	Yes <u>9/</u>	Yes <u>9/</u>	No	No
SSTS Set-aside Sales	Yes <u>10/</u>	Yes <u>10/</u>	No	No
Normal Operating Season for product removal	Yes	Yes	No	No
Normal Operating Season for completion of service work <u>3/</u>	Yes	Yes	No	No
SBA Road Option	Yes	Yes	No	No
Reimbursement of Bond Premium	Yes	Yes	Yes	Yes
Periodic Adjustment of Cost of Service Work	Yes	Yes	Yes	Yes
Market-Related Contract Term Addition	Yes	Yes	No	No
Contract Term Adjustment	Yes	Yes	No	No
Timber Subject to Agreement	Yes	Yes	No	No
Default Damage Provisions	Yes	Yes	No	No
3rd Party Agreements Allowed	Yes	Yes	No	No

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**62.1 - Exhibit 01--Continued**

Type of Use	Integrated Resource Timber Contract (IRTC) FS-2400-13 Scaled	Integrated Resource Timber Contract (IRTC) FS-2400-13T Tree Measurement	Integrated Resource Service Contract (IRSC) Scaled	Integrated Resource Service Contract (IRSC) Tree Measurement
Use When Special Provisions Must be Added to Protect Known Heritage Resources	Yes	Yes	Yes	Yes
Use When Special Provisions Must be Added to Protect Habitat of Threatened, Endangered, and Sensitive Species	Yes	Yes	Yes	Yes
Use When Special Provisions Must be Added to Protect Cave Resource	Yes	Yes	Yes	Yes
Report side of the FS-2400-17 <sup>4/</sup>	Yes	Yes	No	No
TEA Appraisal Summary (FS-2400-17)	Yes	Yes	Yes	Yes
TSA Statement of Account	Yes	Yes	Yes	Yes
Use of Transferred-in Purchaser Credit for Advance Deposits	No	No	No	No
Scheduled Rate Redetermination <sup>2/</sup>	Yes	Yes	No	No
Use of Performance Bond for Felled Timber	Yes	Yes	No	No
Tripartite or Bipartite Land Exchange Provisions	Yes	Yes	No	No
Catastrophic Damage Provisions	Yes	Yes	No	No
Specified Road Work	Yes	Yes	Yes	Yes
Temporary Road Construction	Yes	Yes	Yes	Yes
Incompletely Marked Timber	Yes	Yes	No	No

<sup>1/</sup> Except for situations that are disadvantageous to the Government, stumpage rate adjustment is required in the western U.S. in contracts with lengths of 3 years or more, and there is an available index (FSM 2431.34). Stumpage rate adjustment may be required in contracts with lengths more than 1 year, but less than 3 years, where there is an available local market with several competitive participants to process and/or utilize included products or in other situations where it would be advantageous to the government to do so. Forests may include in solicitations to allow Contractors the choice to elect stumpage rate adjustment in their technical proposals in contracts of less than 3 years in length. Evaluate the choice as part of the entire proposal that will result in the best value for the government. Contracts in the western U.S. less than 1 year in length do not have to include stumpage rate adjustment.

<sup>2/</sup> Schedule a rate redetermination for contracts with a length longer than 5 years, pursuant to K/T-D/T.3.5# Scheduled Rate Redetermination.

<sup>3/</sup> Establish a Normal Operating Season for each service work activity. Group these into no more than two date ranges and include in the Integrated Resource Timber Contract. Follow procedure listed in I and IT.2.1 for adding days to the contract related to delays and interruptions in service operations. See 62.1 - Exhibit 02 for sample calculation of adding contract time and adjusting contract termination date.

<sup>4/</sup> Only the name of the successful bidder can be included on the FS-2400-17 for distribution to the public.

<sup>5/</sup> Service Contract Act (SCA) wages apply on contracts greater than \$2,500 in value.

<sup>6/</sup> Secure bonds with corporate surety, deposited securities, cash, irrevocable letter of credit, or assignment of savings account or certificate of deposit (FSH 6509.11k §83.3).

<sup>7/</sup> See 65.12 for more information.

<sup>8/</sup> To be used in IRSC contracts with product removal. See 65.11 for more information.

<sup>9/</sup> IRTC contracts are eligible for SBA set aside

<sup>10/</sup> SSTS may be used for stewardship contracts

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### **62.11 - Integrated Resource Timber Contracts**

The Integrated Resource Timber Contract (IRTC) formats (FS-2400-13 and 13T) were developed for exclusive use in implementing stewardship contracting projects when the value of goods exceeds the value of services. These contract formats combine product removal and service work. Only the Integrated Resource Timber Contract can be used to generate receipts for use on another stewardship contracting project. The use and preparation of the IRTCs are the same as in Timber Sale contracts (FS-2400-6 and FS-2400-6T) and procurement contracts. Use of the IRTC requires adherence to the laws, regulations, policy, and direction applicable to procurement contracts and timber sales while incorporating the flexibility granted under stewardship authorities.

As a guideline in determining work activities to be included as mandatory in Integrated Resource Timber Contracts, use approximately 75% of the total product value at appraised rates if products will be scaled, and approximately 90% of the total if products will be paid for on a tree measurement or lump sum basis. It would be appropriate to have a list of elective work items that could be added if funds or stumpage value becomes available. Reduce the likelihood of having to pay appropriated funds for completed stewardship work by taking into account the possibility of de-escalation when selecting the proper percentage to use on each project. The Timber Information Manager (TIM) shall be used for preparing Integrated Resource Timber contracts utilizing the FS-2400-13 and 13T contract formats.

In IRTCs 3 years or longer in length, service work items shall be adjusted in price pursuant to FAR 52.222-44. Include in the IRTC the clause from the service contract to facilitate the price adjustment.

### **62.12 - Integrated Resource Service Contracts**

The Integrated Resource Service Contract (IRSC) formats were developed for exclusive use in implementing stewardship contracting projects when the value of services exceeds the value of the goods. The IRSC may trade goods for services and use receipts from another stewardship contracting project to pay for service work. An IRSC combines service work and product removal and is patterned after the standard procurement contract. The IRSC contains procurement clauses and national, regional, and forest provisions used in the FS-2400-6 and 6T contracts. The use and preparation of the IRSC, applicability, use and interpretation of clauses, are the same as in procurement contracts. Use of the IRSC requires adherence to the laws, regulations, policy and direction applicable to procurement contracts and timber sales while incorporating the flexibility granted under stewardship authorities. The use of receipts in the service contract must also be approved by the Regional Forester prior to use. Products removed from the project area shall meet national, Regional, and Forest accountability requirements (paint, hammer branding, product removal receipts, and so forth).

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Contract information related to stewardship projects using the IRSC are also to be entered into the Timber Information Manager (TIM) through Gate 6. None of the documents produced by TIM shall be used in the IRSC; however TIM facilitates upward reporting of project accomplishment. In IRSCs use approximately 75% of the total of product value at appraised rates and appropriated funds and/or other funds committed/obligated to the contract if products will be scaled and approximately 90% of the total if products will be paid for on a tree measurement or lump sum basis.

### **62.13 - Service Contracts**

A service contract cannot trade goods for services, but can use receipts from an approved stewardship contracting project to pay for service work or use appropriated dollars. The work activities to be completed within a service contract must have been part of a stewardship project(s) previously approved by the Regional Forester. The use of receipts in the service contract must also be approved by the Regional Forester prior to use.

### **62.2 - Bundling Activities in a Stewardship Contract**

Stewardship contracts include a number of work items included in (bundled into) one contract. The number and types of work activities bundled inside a stewardship contract can affect the contract type selected for the project, the economics of the project, the number of potential contractors, and the benefits to local and rural communities. Projects with work activities requiring specialized equipment or equipment not readily available should occur at a sufficient frequency or on a scale to assure an adequate return on investment to support purchase and maintenance of the equipment. The mix of work activities in a particular contract should meet the following criteria:

1. Accomplish restoration objectives in the most efficient and cost effective manner.
2. Result in the least impact on the resources.
3. Benefit local and rural communities.
4. Utilize local workforce to the extent practical.
5. Provide training opportunities to increase number of contractors and/or number of workers.
6. Provide products that can be used economically in local, regional and national markets.

Examples of permitted bundling of work activities include the following:

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1. A precommercial thinning that creates some openings for wildlife and reduces forest density to slow spread of fire, while utilizing the thinned trees in Christmas tree markets, either as trees or boughs.
2. A new road constructed to replace an existing road adjacent to a stream that negatively impacts water quality, while installing an arched culvert to improve fish passage.
3. A logging contract to improve forest health while utilizing local businesses and providing jobs for local workers by placing large logs in-stream to improve pool to riffle ratio and providing rearing and resting habitat for juvenile fish.
4. Re-establish vegetation in riparian areas with appropriate species while thinning a monoculture plantation and interplanting a variety of coniferous and hardwood species to improve wildlife habitat and create a future old growth area.
5. Road maintenance or obliteration to reduce sedimentation, treatment of noxious weeds along roads, and replant with native species.

### **62.3 - Contract Duration**

Stewardship contracting provides for contracts up to 10 years in length. The use of multi-year contracts is encouraged to provide incentives to potential contractors to invest in long-term landscape improvement projects. Use multi-year contracts in accordance with section 63.3.

Land managers shall document the rationale for the duration of a contract in the project file. This rationale should consider factors such as the scope of the project, the type of material to be treated, the amount of road construction, the production rates of potential contractors, the availability of local capacity to process and use the material removed, and the potential development of new markets for small diameter material, as well as operational factors such as local weather patterns, sensitive wildlife species habitat use cycles, and seasonal restrictions for wildfire prevention.

### **62.4 - Tracking Work Progress**

Update work accomplishment monthly for all stewardship contracts using a spreadsheet designed to track current month and historical work progress and able to track the goods traded for services through earned stewardship credits. The spreadsheet is available on the Washington Office Forest Management website.

Calculate on a monthly basis the value of forest products removed against the value of services rendered to determine the amount of revenues and expenses. Submit a monthly report to the Albuquerque Service Center's Receivables and Collections Branch of the cumulative balances

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for both the value of services rendered and the value of forest products removed. Use appropriate transaction codes and transaction types to record monetary obligations in the appropriate fund code, when appropriated funds are used to pay for services rendered. Refer to FSH 6509.11k for more information.

## **63 - AWARDING STEWARDSHIP CONTRACTS**

### **63.1 - Awarding Stewardship Contracts on Best Value Basis**

The contracting officer shall award all stewardship contracts on a best value basis, considering criteria other than cost or price. These non-price criteria include, but are not limited to, the contractor's past performance, work quality, existing public or private agreements or contracts, on-time delivery, experience, technical approach, and benefits to the local community. The team assembled to evaluate the technical proposal should include the appropriate resource and operations specialist with knowledge of the work to be completed as to be able to adequately assess specific details of the Contractor's proposal. A procurement Contracting Officer should advise the team on process and procedures for evaluating proposals as to meet the best value requirement.

#### **63.11 - Price-Related Criteria**

For evaluation of price-related criteria, the product value and service work value shall be considered separately. These values are then combined to determine the amount of appropriated or other funds needed in the Integrated Resource Service Contract, or the initial amount of residual receipts generated from the Integrated Resource Timber Contract.

#### **63.12 - Contractor Selection**

The Contracting Officer may use nontraditional contractors or recipients, such as counties, private persons, or other private entities when awarding a stewardship contract. Contractors who propose monetary contributions to the local community, collaborative group, or other financial arrangements and/or inducements in support of collaboration, project level monitoring, paying for a non-profit to manage application process for use of retained receipts, or other activities that do not accomplish on the ground treatments, shall not be considered in determining best value for the government.

#### **63.13 - Less Than Full and Open Competition**

When anything less than full and open competition is used for contractor selection, the Forest Supervisor must document and submit to the Regional Forester the reasons for the selection process used. Documentation submitted shall include the level of competition to be used in the contracting process. Documentation of the level of competition shall address all appropriate considerations pursuant to the Federal Acquisition Regulation found in Title 48, Code of Federal Regulations, parts 6 and 19 (FSH 6309.32-FAR).

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### **63.14 - Contractor Capabilities**

Review Contractors' financial and logistical capabilities to fund and complete the contract as part of a best value determination. Contractors with no or limited experience contracting with the government, or completing required work, may require a performance bond to protect the interests of the government.

### **63.2 - Small Business Administration Set Aside Program and Special Salvage Timber Sale Program**

Invite field representatives of the Small Business Administration (SBA) to participate in stewardship contracting projects. The SBA has access to information about capabilities of small businesses that may be important to implementation of the projects and can provide an important link to small businesses during the selection and design of those projects. Provide an electronic copy of stewardship contracting project solicitations and awarded contracts to SBA field representatives.

To ensure that there is opportunity for use of local small business sawmills, ensure that the request for proposals for stewardship contracting projects considers technical evaluation criteria that give weight for use of local small businesses, including small business sawlog mills. During the evaluation and award process, give additional weight to those proposals that are responsive to the local community needs.

Do not include stewardship contracting sales in the timber sale set-aside program. Track the volume of all sawlogs in stewardship resource contracts separately on Form FS-2400-31a. Track the sawlog volume by volumes going to small and large businesses and to manufacturers and non-manufacturers, as defined in FSH 2409.18, chapter 90. Use this information at the end of the scheduled 5-year recomputation of shares for the regular timber sale set-aside program to determine if policy changes are needed in either the stewardship contracting or regular set-aside program relative to small business programs.

### **63.3 - Determining Use of Multi-Year Contracts**

Consider a variety of issues in determining the use of multi-year contracts. Multi-year contracts are used primarily to acquire known requirements over a period of time exceeding 1 year utilizing the IRSC or service contract formats. Consider if the following factors apply prior to using a multi-year contract:

1. The land management to be accomplished will require multiple years or steps to complete;
2. The need for the supplies or services is reasonably firm and continuing over the period of the contract; and

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3. A multi-year contract serves the best interests of the United States by encouraging full and open competition or promoting economy in administration, performance, and operation of the agency's programs.

The Washington Office, Director of Acquisition Management, is responsible for approving multi-year contracts. Coordinate the determination for use and final approval of a multi-year contract with the procurement contracting officer assigned to the contract.

## **64 - AGREEMENTS**

An “agreement” is typically considered an assistance or cost shared relationship and is generally an obligating document not subject to the Federal Acquisition Regulations (FAR), but subject to various Office of Management and Budget circulars, the Code of Federal Regulations, specific authorizing statutes, departmental manuals, and other agency-specific guidelines. Agreements are not typically entered into through a competitive process, rather they are based upon an application and proposal presented to the agency to meet mutual objectives (as is the case with stewardship contracting agreements) and land management goals.

Unless otherwise stated, all requirements for stewardship contracts apply to agreements, including bonding, financial accountability, and administration requirements. Additional direction for agreement applications is found in FSM 1580.

Exhibit 01 provides direction for determining whether an agreement or contract is the appropriate instrument for accomplishing resource goals and objectives under stewardship authority.

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**64 - Exhibit 01**

**Agreement or Contract Use Determination**

Primary Test	Agreement	Contract
Is the project for the mutual interest and benefit of the parties? That is, does it advance the mission of the proposed partner/applicant, other than for monetary gain, and achieve the Forest Service's resource land management goals for the national forests that meet local and rural community needs?	Yes	No
Other Considerations *	Agreement	Contract
Will the agency have substantial, ongoing involvement in the project?	Yes	No
Does the project encompass cost sharing principles?	Yes	No
Is the entity a non-profit, state, local government or educational institution?	Yes	No
Is the entity a for profit business?	No	Yes
Is the entity a Tribe?	Yes	Yes
Is the project of a highly complex nature?	No	Yes
Is there potential for disputes? Note: no formal dispute resolution process exists for agreements.	No	Yes
Does project failure pose substantial risk to the agency, i.e. non-accomplishment of specific mandated land management goals?	No	Yes
Will the project create significant financial risks for either party?	No	Yes
Will the project pose significant safety liability risks for either party?	No	Yes
Has similar work been effectively and efficiently completed as a contract in the past?	No	Yes

\* In addition to the "Primary Test," one or more answers under "Other Considerations" could indicate or point towards the applicability of an agreement or contract; however, all answers must be considered when making a determination. There also may be instances where the "Primary Test" points in one direction, yet all or a majority of the "Other Considerations" point in another. In such cases or when otherwise in doubt, seek guidance from your agency grants and agreement specialist or contracting officer.

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### **64.1 - Best Value Determination for Agreements**

When considering entering into an agreement, best value determinations shall be adjusted to reflect the purposes of the partnership. While cost always has to be a consideration, non-cost factors are considered more important than cost. Possible non-cost related best value considerations include:

1. The extent of mutual interest and benefit.
2. The advantages and effectiveness of mutual participation.
3. Mixed ownership
4. Joint expertise
5. Factors relevant to cost, such as volunteerism, donations, cost sharing, and so forth.

### **64.2 - Types of Agreements**

Traditional agreements, such as challenge cost-share (FSM 1587.12), participating (FSM 1587.11), and Wyden agreements may be used to implement stewardship contracting projects. These agreements must be used in accordance with applicable laws, regulations, and direction in this chapter and FSM 1580. In considering use of an agreement in stewardship contracting, consult the local or Regional Grants and Agreements Specialist for guidance early in project development.

## **65 - ADMINISTERING STEWARDSHIP CONTRACTS**

In accordance with the National Forest Management Act of 1976 (16 U.S.C. 472a) and Federal Acquisition Regulation found in Title 48, Code of Federal Regulations (FSH 6309.32-FAR), the Forest Service shall maintain authority over all phases of development and implementation of stewardship contracts and agreements. The assigned contracting officer shall maintain Federal agency control and oversight of operations to ensure the protection of public assets and compliance with environmental requirements. Individuals assigned to contract administration teams for stewardship contracts, acting within their individual delegated authority, shall implement and enforce contract terms.

### **65.1 - Required Bonding**

Contractors who are awarded stewardship contracts are required to provide such bonds as are required under the contract, law, or regulation, and as determined by the contracting officer. The Forest Service may require performance and payment bonds in order to protect the

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Government's investment in receipts from removal of forest products under a contract or agreement pursuant to 16 U.S.C. 2104 Note and the Federal Acquisition Regulation (FSH 6309.32, Part 4G37-FAR). Refer to FAR 28.106-1; FSH 6509.11k, chapter 80; FSM 2456; and FSH 2409.18, chapter 53 for acceptable form of bond.

In all integrated resource contracts, allow for the reimbursement of bond premiums for those bonds required by the contract. The contract price will include the total amount for bond premiums. Where the cost cannot be predicted in advance of operations and an estimate has been not been included in the contract price, provide stewardship credit for the cost of the bond premium. The amount of stewardship credit will be based upon actual invoices from the bonding company to the contractor.

Exhibit 01 displays acceptable forms of payment and performance bonds for both integrated resource timber contracts and integrated resource service contracts.

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**65.1 - Exhibit 01**

**Stewardship Contract Bonding Requirements**

	<b>Integrated Resource Timber Contract (IRTC)</b>	<b>Integrated Resource Service Contract (IRSC)</b>	<b>Service Contract (SC)</b>	<b>Service Contract with Construction</b>
	<b>FS-2400-13(T)</b>			
<u>Bid Guarantee Required</u>	No	Waived <u>14/</u>	Waived <u>14/</u>	Waived <u>14/</u>
- Purpose	N/A	<u>13/</u>	<u>13/</u>	<u>13/</u>
- Minimum Amount Required	N/A <u>1/</u>	Waived <u>14/</u>	Waived <u>14/</u>	Waived <u>14/</u>
- Type of Bid Guarantee	Any <u>2/</u>	Waived <u>14/</u>	Waived <u>14/</u>	Waived <u>14/</u>
- References	FSM 2431.43 FSM 2456.2 FSH 6509.11k, 83.3	FAR 28 FSAR 4G37.716-1	FAR 28 FSAR 4G37.716-1	FAR 28 FSAR 4G37.716-1
<u>Performance Bond Required</u>	Optional <u>3/</u>	Contracts ≥ \$100,000 <u>15/</u>	Contracts ≥ \$100,000 <u>15/</u>	Contracts ≥ \$100,000 <u>17/</u>
- Purpose	<u>5/</u>	<u>16/</u>	<u>16/</u>	<u>16/</u>
- Minimum Amount Required	<u>6/</u>			<u>19/</u>
- Minimum Term of Bond <u>9/</u>	5 Years or less <u>7/</u>			
- Type of Bond Security	Any <u>21/</u>	Any <u>21/</u>	Any <u>23/</u>	Any <u>23/</u>
- Form	SF-25	SF-1418	SF-1418	SF-25
- References	FSM 2456.1 FSH 2409.15, 63.1 FSH 6509.11k, 83.3	FSAR 4G37.716-2	FSAR 4G37.716-2	FAR 28.102-1
<u>Payment Bond Required</u>	Optional <u>8/</u>			Contracts ≥ \$25,000 <u>17/ 18/</u>
- Purpose	<u>10/</u>			
- Minimum Amount Required	30-60 Day Cut <u>11/</u>			
- Minimum Term of Bond <u>9/</u>	1 Year <u>12/</u>			
- Type of Bond Security	Any <u>22/</u>	Any <u>22/</u>	Any <u>23/</u>	Any <u>23/</u>
- Form	FS-6500-12 FS-6500-12a <u>20/</u>			SF-25a
- References	FSM 2456.3 FSH 2409.15, 42.4 FSH 6509.11k, 83.3			FAR 28.102-1 FAR 28.102-2 40 U.S.C. 270a

1/ Not applicable. The best value award process and financial expenditure by the Contractor in preparation of a technical proposal demonstrates their business capability and commitment.

2/ Not applicable.

3/ See section 65.12 for more information.

5/ To guarantee performance and fulfillment of contract obligations by Contractor.

6/ The performance bond needed is the amount to cover only required work released in a task order, or in a harvest or work area, as compared to bonding the entire contract.

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**65.1 - Exhibit 01--Continued**

- 7/ When the duration of a contract is 5-years or less, the bond must cover the entire contract period (FSH 6509.11k, sec. 83.3).
- 8/ Contract requires cash deposits or credits in advance of cutting timber unless a payment guarantee has been established. To guarantee payment, a contractor may provide an acceptable surety bond, letter of credit, or negotiable securities.
- 9/ Note that surety bonds have indefinite terms with no expiration date, but other types of bond security, i.e. an irrevocable letter of credit, have an expiration date.
- 10/ To guarantee payment for forest products and required deposits. For payment purposes, the payment bond shall be used in lieu of the performance bond.
- 11/ The minimum penal sum for a payment bond must equal the value of the minimum advance payment specified in the contract (FSH 6509.11k, sec. 83.3). These payment bonds can be used to cover timber cut and removed up to the billing due date, down timber cut but not removed, and timber anticipated to be cut within the next 30- to 60-day period on a scaled contract or for payment units released for cutting and additional timber anticipated to be cut within 60 days on a tree measurement contract (FSH 2409.15, sec.42.4).
- 12/ Payment bonds may be accepted subject to a minimum period of one operating year. The termination date must be in the non-operating season (FSH 6509.11k, sec.83.3).
- 13/ A form of security ensuring a bidder will execute a written contract, furnish required cash deposits, and furnish required bonds.
- 14/ A Class Determination & Findings (D&F) has been signed to waive the requirement for a bid guarantee on all procurement stewardship contracting projects. The D&F is valid through September 30, 2013. (FSAR 4G37.716-1)
- 15/ Performance bonds will be used for all stewardship contracts (SC and IRSC) with construction in excess of \$100,000, per Miller Act. Performance bonds are optional for stewardship contracts under \$100,000. (FSAR 4G37.716-2)
- 16/ Use a performance bond to protect the Forest Service during product removal; i.e. cover the value of the timber to be removed in the next 30-60 days in excess of earned stewardship credits.
- 17/ The Miller Act (40 U.S.C. 270a) requires performance and payment bonds for construction contracts exceeding \$100,000, except as authorized by law. (FAR 28.102-1) No performance bond is required for construction contracts between \$25,000 and \$100,000. (FAR 28.102-2)
- 18/ Federal Acquisition Streamlining Act requires a 100% payment guarantee for construction contracts between \$25,000 and \$100,000, unless the contracting officer determines that a lesser amount is adequate for the protection of the Government. No performance bond is required. (FAR 28.102-2). No payment guarantee is required for construction contracts less than \$25,000.
- 19/ The Contracting Officer may determine the amount of performance bond that is deemed adequate for the protection of the Government. The amount of the payment bond shall never be less than the amount of the performance bond. The Contracting Officer must make a written determination supported by specific findings that a payment bond in the amount of the original contract amount is impractical. (40 U.S.C. 270a)
- 20/ FSH 6509.11k, sec. 83.3(2)(a).
- 21/ Secure performance bonds with corporate surety, deposited securities, cash, irrevocable letter of credit, or assignment of savings account or certificate of deposit (FSH 6509.11k, sec. 83.3).
- 22/ Secure payment bonds with corporate surety, deposited securities, irrevocable letter of credit, or assignment of savings account or certificate of deposit (FSH 6509.11k, §83.3).
- 23/ 48 CFR Part 28.2.

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## **65.11 - Bonding and Wage Requirements of Integrated Resource Service Contracts**

### **65.11a - Performance Bond**

A performance bond for product removal is required to cover billings for advance deposits. The bond amount and earned stewardship credits must maintain an unobligated balance equal to the applicable charges for products estimated by the Forest Service to be harvested in not less than 30 and not more than 60 calendar days, or in released harvest units. The contracting officer shall not require contractors to make advance deposits above those required when the unobligated credit balance in an integrated resource account exceeds the charges for products estimated to be harvested in the next 60-calendar day period, or exceeding the product value of released harvest areas. The contracting officer may adjust the amount of the performance bond to cover the amount which exceeds earned stewardship credits instead of bonding the entire value of the products to be removed. Performance bonds for service work are at the discretion of the contracting officer and should only be used when needed to protect the interests of the government.

### **65.11b - Bonding for an Integrated Resource Service Contract**

A Class Determination & Findings (D&F) was issued to waive the requirement for a bid guarantee on all stewardship projects. The D&F is valid through September 30, 2013 (FSAR 4G37.716-1). The Miller Act (40 U.S.C. 270a) requires performance and payment bonds for construction contracts exceeding \$100,000, except as authorized by law (FAR 28.102-1). In addition, a payment guarantee is not required for construction contracts under \$25,000. Form SF-25 and Form SF-25a will be used for performance and payment bonds for construction contracts.

### **65.11c - Wage Requirements**

1. Service Contract. For contracts greater than \$2,500, Service Contract Act (SCA) wages rates apply (FAR 22.1001-1).
2. Construction Contract. For construction contracts greater than \$2,000, Davis-Bacon Act wage rates apply (FAR 22.403-1).
3. Volunteers. If a project intends to use volunteers, an agreement is the appropriate tool (sec. 64).

## **65.12 - Bonding and Wage Requirements of Integrated Resource Timber Contracts**

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### **65.12a - Bonding Integrated Resource Timber Contracts**

A bid guarantee, down payment, and scheduled or periodic payments are not required for integrated resource timber contracts. Generally, a performance bond is not required for an integrated resource timber contract and is based upon a risk assessment by the contracting officer. Situations that may require a performance bond include:

1. Large construction or reconstruction projects.
2. Projects with only a single contractor in the surrounding area.
3. Contractors that have:
  - a. Limited or no previous experience working on government contracts.
  - b. Marginal financial resources.
  - c. A history of poor performance in completing required work.
4. Situations in which the contracting officer determines the interest of the government must be protected.

When a performance bond is required, the contracting officer may adjust the actual amount needed to cover only required work released in a task order or in a harvest or work area, as compared to bonding the entire contract. The initial amount of the performance bond based upon the approved operating schedule can be included in the award letter.

### **65.12b - Security for Timber Cut but Not Removed**

Regional Foresters may allow a performance bond to be used as security for timber cut but not removed from the sale area when large volumes of timber are cut in advance of yarding. Deferring payment in this manner shall be limited to timber not subject to rapid quality downgrading or physical deterioration. Contractors may request use of the performance bond for this purpose when provided for in the prospectus (see FSM 2456.1 for additional direction).

### **65.12c - Advance Deposit Requirements**

A stewardship contract permits contractors to defer advance deposits for stumpage and required deposits under security of a payment bond until products are removed from the contract area, a statement of account is prepared, and a bill for collection is received. Payment bond, cash, or earned stewardship credits can be used to meet advanced deposits requirements (see FSH 6509.11k for additional direction).

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### 65.12d - Wage Requirements

Local prevailing wage rates or woods rates are used when estimating costs on both the product removal and procurement sides of the contract. Davis-Bacon wage rates do not apply for specified road construction and reconstruction performed by a contractor. However, if a contractor decides to have the Forest Service construct a specific road (turn back road) through a public works contract, Davis-Bacon wage rates apply to the public works contract. Service Contract Act (SCA) wage rates do not apply to product removal or to the procurement sides of the contract.

### 65.2 - Contracting Officers for Stewardship Contracting Projects

Regional Foresters shall designate either a procurement contracting officer or a timber sale contracting officer for stewardship contracts consistent with the type of contract as follows:

Contract Type	Type of Contracting Officer
Integrated Resource Service Contract (IRSC) - Tree Measurement	Procurement
Integrated Resource Service Contract (IRSC) - Scaled	Procurement
Integrated Resource Timber Contract (IRTC) - Tree Measurement	Timber Sale
Integrated Resource Timber Contract (IRTC) - Scaled	Timber Sale
Service Contract	Procurement

The Regional Forester shall delegate to a named procurement contracting officer (FSM 2404.26) the authority to sell and dispose of forest products contained in a stewardship project, up to 10,000 CCF.

### 65.21 - Contracting Officer Qualifications

Contracting Officers shall complete at least 24 hours of training related to stewardship contracting prior to being delegated as a Contracting Officer on a stewardship contracting project. Training may include national, regional, or forest sponsored stewardship sessions and hands-on training in the planning and implementing a stewardship project.

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### **65.3 - Contract Administration Teams**

Contract administration teams for stewardship projects shall include the following personnel:

1. Integrated Resource Service Contract (FSH 6309.32, 4G37.717-1 FAR)
  - a. Procurement Contracting Officer (CO)
  - b. Timber Sale Contracting Officer
  - c. Contracting Officer Representative (COR)
  - d. Certified Sale Administrator (SA) and/or Harvest Inspector
  - e. Inspectors as needed (harvest, engineering, wildlife, fuels, etc.)
2. Integrated Resource Timber Contract (FSH 2409.15)
  - a. Timber Contracting Officer (CO)
  - b. Procurement Contracting Officer
  - c. Forest Service Representative (FSR)
  - d. Certified Sale Administrator (SA)
  - e. Contracting Officer Representative (COR)
  - f. Engineering Representative, as needed (ER)
  - g. Inspectors as appropriate (harvest, engineering, wildlife, fuels, etc.)

A certified sale administrator and/or harvest inspector will be assigned to assist with product removal operations contained in the IRSC and may be assigned COR duties to gain experience and qualifications towards certification as a COR.

### **65.4 - Law Enforcement Coordination**

The contracting officer representative (COR) and/or sale administrator are responsible for following protocols for notifying law enforcement personnel in accordance with FSH 2409.15, sections 13.42(b) and (c), and Regional Supplements and policy, including applicable Regional Timber Theft Prevention Plans. Law enforcement personnel are responsible for coordinating investigations with the contracting officer and the contract administration team members and reporting the results as provided in FSM 2433.04(e).

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## **66 - FUNDING FOR STEWARDSHIP CONTRACTING**

Stewardship contracting preparation, overhead, and monitoring costs normally shall be funded through appropriated funds similar to other contracting efforts, such that the primary purpose determines the funding source as intended in the budget restructuring included in the Interior & Related Agency Appropriations Act of 1995.

Documentation of the rationale used for identifying the source shall be documented in the project workplan and include the budget line items available for use, which one(s) were selected, and the rationale for the funding decision. During actual project implementation, any service (stewardship project) costs that are not offset by goods (forest products) received would be funded by the project's primary purpose.

When a stewardship contracting project contains multiple contracts, the specific purpose and need associated with each contract should serve as a basis for funding, as opposed to a using a single budget line item for all contracts.

Additional funds for projects may be obtained from cooperators, other agencies, and local donations. Contributed funds must be processed and tracked in accordance with FSH 6509.11g, Service-wide Appropriation Use Handbook. These additional funds should be used for project implementation activities. FSH 6509.11g includes direction regarding the treasury symbol and how to apply primary purpose to stewardship contracting.

When road, trail, or facility maintenance, construction, or reconstruction is included in a stewardship contract these items shall be expensed and not capitalized (FSH 6509.11k, sec. 56.12).

## **67 - REVENUES FROM STEWARDSHIP CONTRACTING**

Deriving revenue from the sale of products designated for removal through stewardship contracting projects is a secondary objective to achieving land management goals.

In accordance with 16 U.S.C. 2104 Note (d)(3), the value of services received, payments made, or resources provided under a stewardship contract shall not be considered to be monies received from the National Forest System for the purpose of calculating payments to States (FSH 6509.11g, sec. 61.1). Therefore, stewardship contracts do not require a minimum deposit to National Forest Fund (NFF) as prescribed in FSM 2431.31 and FSH 2409.18, section 45.42.

Allocation of monies collected through receipts from products removed for the trading goods for services is based upon the following priorities:

1. Paying for the service work within the IRTC or IRSC contract (fund code SDNG)
2. Additional collections for the Knutson-Vanderburg fund (CWKV), brush disposal fund (BDBD), and cooperative work (CWFS).

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3. Reimbursement of any salvage sale fund (SSF) expenditures incurred in preparing the project.
4. Retained receipts to be applied to other stewardship projects (fund code SSCC).
5. Any remaining receipts are excess receipts to be returned to the Treasury.

### **67.1 - Residual Receipts**

When the value of the products generated by a stewardship contracting project exceeds the cost of the services rendered, excess offset value results and residual receipts (sec. 60.5) are generated. Residual receipts may be transferred to another stewardship contracting project (when approved in advance by the Regional Forester) or directed to trust funds. Residual receipts may also be used on the same stewardship contracting project by adding other service work. The design of stewardship contracting projects utilizing trading goods for services should balance value of products removed with the cost of services received, so that pools of retained receipts are not created and maintained. If salvage sale funds are spent to plan, layout, or administer a stewardship contracting project, the funds are to be replenished. Essential Knudsen-Vanderburg (K-V) and K-V other work that would extend beyond the timeframe of a stewardship contract should be included in a sale area improvement plan.

#### **67.11 - Residual Receipts Collections**

Residual receipt collections shall be deposited into treasury account 12X5540, using fund/program codes SSCC/SSCC. Prior policy required that residual receipts be deposited into fund code CWFS (FSH 6509.11k, ch. 50).

### **67.2 - Retained Receipts**

Use existing procedures (trans codes, trans types, etc.) to record monetary exchange transactions. New trans codes and trans types have been established to record nonmonetary transactions including the value of forest products. Refer to scenarios in FSH 6509.11k - 56.12 Scenarios - Trans Code/Trans Types to Record Stewardship Contracting Transactions.

1. Use of Retained Receipts. Retained receipts shall not be used for Forest Service salary, overhead, administrative, or indirect costs, or for the completion of environmental studies or other planning and analysis (sec. 61.21). Receipts can be transferred to collaborators through reimbursements, including services contracts, agreements, and other approved mechanisms. Items to be monitored and monitoring protocols, as agreed upon within the collaborative group and recommended to the line officer, may be funded with retained receipts, appropriate funds, grants, volunteers, contributions from organizations, and so forth. Forest Supervisors shall approve monitoring activities and determine the appropriate levels of use of retained receipts and appropriated funds in support of project level multi-party monitoring. Regional Foresters shall approve the use of retained receipts for project level monitoring.

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Retained receipts (sec. 60. 5) from stewardship contracting may be used for:

- a. Another stewardship contracting project in the same project area or may be transferred outside the original project area. Retained receipts may be used on other approved stewardship contracting projects outside the initial project area only if such transfer is identified in advance, made known to interested parties, and approved in advance by the Regional Forester. Residual receipts normally are used on the same administrative unit where they were generated.
  - b. Funding national multi-party programmatic process monitoring.
  - c. Supporting project level multi-party process monitoring when there is interest and support from local collaborative partners. Retained receipts may defray the direct costs of local multi-party process monitoring and support the collaborative process by paying for facilitation, meeting rooms, travel, incidental expenses, data collection, and dissemination of monitoring findings to the public. Process monitoring is distinct from environmental monitoring. Environmental monitoring should occur within the framework of land and resource management plan monitoring subject to priority and funding.
  - d. In the event of a default by the contractor, receipts paid by the contractor and deposited into the SDNG fund code or guaranteed by a payment bond in an integrated resource timber contract and performance bond in an integrated resource service contract, can be used to complete required restoration activities. The required work can be added to the contract of another approved stewardship project, or completed under a separate service contract utilizing the receipts from the original contract.
2. Capital Assets. Do not use SSCC funds for the acquisition of capital assets. When road, trail, or facility maintenance, construction, or reconstruction is included in a stewardship contract these items shall be expensed and not capitalized (refer to ID to FSH 6509.11k, section 56.12).

### **67.21 - Annual Review of Retained Receipts Balance**

Annually, each Regional Forester shall prepare an analysis of the receipts and expenditures in stewardship contracts in conjunction with the annual review of trust fund balances. This analysis is due to the Washington Office by December 15. Regional offices shall provide a regional balance analysis rather than just submitting the individual analyses provided by each forest.

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## **67.22 - Receipts Collected to Cover Volume Removed Prior to Service Work**

When receipts are collected prior to completion of service work, deposit these receipts into treasury account 12X6500 using fund/program codes SDNG/SDNG. The Timber Sale Accounting (TSA) System will be used to identify deposited amounts to be held in fund code SDNG until the service work is performed, at which time the deposits shall be returned to the contractor.

## **67.23 - Adjustment of Existing Cash Balances**

Each Region shall adjust existing cash balances to either fund code SSCC or fund code SDNG with residual receipts balances adjusted to SSCC and advance deposits adjusted to SDNG. Use the posting models shown in FSH 6509.11k, section 56.12a, exhibit 01, and section 56.12b, exhibit 02.

## **67.3 - Other Trust Funds**

The Forest Service may direct stewardship contracting receipts to the following trust funds: K-V Funds, Salvage Sale Funds (SSF), Brush Disposal (BD) Funds, and Cooperative Work-Other Funds. The authorized officer shall determine the appropriate distribution of receipts to restoration work under the current stewardship contract, to various trust funds, or for transfer to other stewardship contracting projects. The authorized officer shall include documentation of the reasons for distribution of collections with project recommendations. Once receipts have been transferred to K-V, SSF, BD, or CWFS, expenditure of the funds must be in accordance with the trust fund to which they are transferred.

1. Knutson-Vanderburg Act of June 9, 1930 (16 U.S.C. 576, 576a-576b). Many of the activities typically accomplished through Knudsen-Vanderburg collections (K-V) can be incorporated into the stewardship contract. There are instances where it may be appropriate to collect K-V funds for treatments that exceed the contract length, such as for noxious weed control, prescribed burning, or for projects that require complex oversight, such as for tree planting. Follow the direction in FSH 2409.19, chapter 10, when identifying projects for K-V collections and in FSH 2409.19, chapter 20 when making collections. Work completed in conjunction with a stewardship contracting project using K-V funds needs to follow laws, regulations, and agency direction associated with the generation and use of K-V funds.

2. Salvage Sale Funds (National Forest Management Act of 1976 (16 U.S.C. 1600 et seq.)). Stewardship contracting projects may use salvage sale funds (SSF) when they meet the qualifications of a salvage sale. The line officer must balance the benefits of the stewardship contracting projects with the needs of the salvage sale program. Salvage sale funds should be used for sale preparation and administration only when it is anticipated that sufficient receipts can be collected to reimburse the salvage sale fund. See FSM 2435 and FSH 2409.18 for direction on the salvage sale program.

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3. Brush Disposal Funds (Brush Disposal Act of 1916 (16 USC 490) and Granger-Thye of 1950 (16 U.S.C. 572). Brush disposal (BD) funds may be collected even though the trees were removed through a service contract (contract logging). Make collections for brush disposal in accordance with FSM 2436.

4. Cooperative Work-Other (31 U.S.C. 1321). Make collections for cooperative work in accordance with FSH 6509.11g, sec. 71.2. Cooperative work may include road maintenance, rock replacement, erosion control, and contract scaling. However, road maintenance and erosion control should be included in a stewardship contract whenever possible.

### **67.4 - Automated Timber Sale Accounting**

Except as specified in this section, complete automated timber sale accounting (TSA) in accordance with FSH 6509.17 for stewardship contracts where commercial goods (forest products) are removed.

The contract may be defined by work items as stewardship credits and represent the value of work to be performed by the contractor in exchange for timber. Under a stewardship contract authorization, any monies collected for stumpage values shall be deposited into either SSCC or SDNG fund codes. See sections 67.11 and 67.22 for more information.

#### **67.41 - Minimum to Principal Accounts**

The direction in this section applies to the six-digit numeric field required for each unit of measure contained in a new contract (U/M1, MIN1, U/M2, MIN2, and so on). Establish the minimum to principal accounts by unit of measure to Stewardship Demo on a stewardship contract, or in the case of a salvage sale, the minimum to principal account for Knutson-Vandenberg collections (K-V), or a combination of the two. Transaction 0104 accommodates four units of measure and related minimum to principal account rates. In the very unlikely event that there are more than four units of measure, submit the additional units of measure and minimum to principal accounts after the initial contract has been established on a separate 0104 transaction using action code M (modify).

Submit each U/M and MIN1 rate combination together. On the left enter the two-digit unit of measure (U/M). Follow the U/M with a four-digit minimum to principal account rate (MIN1) to be used for the U/M. The minimum to principal account field has two digits to the left and two digits to the right of the decimal point.

For example, a user who wishes to enter a minimum rate of \$.25 for CCF, would enter the following on the 0104 transaction: 030025. The "03" stands for the CCF unit of measure and the "0025" stands for the \$.25 minimum rate. See exhibit 01 for an example.

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**67.41 - Exhibit 01**

**Example of Minimum to Principal Accounts Submission**

Minimum to Principal Accounts							
U/M 1		U/M 2		U/M 3		U/M 4	
U/M	Minimum	U/M	Minimum	U/M	Minimum	U/M	Minimum
57 58	59 62	63 64	65 68	69 70	71 74	75 76	77 80
<b><u>03</u></b>	<b><u>00.25</u></b>		—.		—.		—.

The minimum to principal account can never be greater than any base rate for any S-P-U with the corresponding unit of measure. In other words, using the preceding example, any S-P-U sold in CCF could not contain a base rate less than \$.25.

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### **67.42 - Normal Distribution Accounts**

Enter a job code for each normal distribution account. Enter at least one job code for each principal normal distribution account when a new permit is entered into TSA. Principal normal distribution accounts are fund IDs 02-06 and 18. Other normal distribution accounts are fund IDs 19, 25, and 88. None of these can be principal accounts; therefore, permits containing fund IDs 19, 25, and 88 must also contain one of the principal distribution accounts of fund ID 02-06 and 18. Fund IDs 02 and 03 are not valid on the same permit. There may be no more than 8 normal distribution accounts on any one permit.

## **68 - MONITORING ACTIVITIES FOR STEWARDSHIP CONTRACTING**

Monitoring is an important aspect of stewardship contracting. Under the pilot stewardship contracting authorities (Pub. L. 105-277, Pub. L. 106-113, and Pub. L. 107-63), the agency was required to complete monitoring for each project. Under the 10-year authority (16 U.S.C. 2104 Note), the agency is required to complete programmatic monitoring. The last pilot monitoring report was completed for fiscal year (FY) 2004. Beginning in FY05, the national monitoring report will be completed at a programmatic level.

### **68.1 - Programmatic Level Multi-party Process Monitoring**

The focus of multi-party monitoring in accordance with the 10-year stewardship contracting authority (16 U.S.C. 2104 Note) is programmatic monitoring of collaboration and the role local communities in stewardship contracting. The Director, Forest Management Staff, Washington Office coordinates a national programmatic process monitoring contract on the role of local communities and other external stakeholders in development of stewardship contracts and agreements. Each year, information shall be obtained from a sample of active stewardship contracting projects. Programmatic level multi-party process monitoring at the national level (sec. 68.1) may be funded with retained receipts.

### **68.2 - Project Level Multi-party Process Monitoring**

Under the pilot stewardship contracting authorities, a contractor was hired to complete the project level monitoring. The last pilot monitoring report was completed for FY04. Beginning in FY05, the national monitoring will be completed at a programmatic level. However a national forest may still complete project level process monitoring with retained receipts as outlined in section 67.2, when there is interest and support from local collaborative partners.

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### **68.3 - Environmental Monitoring**

Individual project monitoring (implementation, effectiveness, and validation) may be conducted, as appropriate, in addition to the stewardship contract monitoring described in sections 68.1 and 68.2. Environmental monitoring should occur within the framework of land and resource management plan monitoring subject to priority and funding.

### **69 - REPORTING ACTIVITIES FOR STEWARDSHIP CONTRACTING**

In accordance with 16 U.S.C. 2104 Note (sec. 60.1, para. 4), the agency's annual stewardship contracting report to Congress shall include:

1. The status of development, execution, and administration of agreements or contracts,
2. The specific accomplishments that have resulted, and
3. The role of local communities in the development of agreement or contract plans.

#### **69.1 - Annual Report**

1. The responsible agency officials shall inform the multi-party monitoring contractor (sec. 68) about the requirement to provide a draft report on the role of local communities in stewardship contracting to the Director, Forest Management Staff, Washington Office. The Director of Forest Management Staff, Washington Office shall use the information from the contractor's draft report and from internal accomplishment reporting (sec. 69.1) to prepare a draft report to Congress for approval by the Chief of the Forest Service. The report shall respond to the three reporting items prescribed by 16 U.S.C. 2104 Note (sec. 69).

2. The Chief shall submit an annual report to the Committee on Appropriations of the House of Representatives and the Committee on Appropriations of the Senate on the three items specified in section 69. The Chief shall also report stewardship contracting contributions to performance and workload measures consistent with the Government Performance and Results Act.

#### **69.2 - Stewardship Contracting Accomplishments Reporting**

District Rangers shall support national accomplishments reporting by completing information for each project at the time of project initiation and annually updating this information, according to the instructions issued by the Director of Forest Management, Washington Office. Regional Foresters shall ensure that accomplishment reports are completed and updated annually by December 15.