

# HFQLG Socioeconomic Monitoring Report Fiscal Year 2009

Prepared For



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## EXECUTIVE SUMMARY

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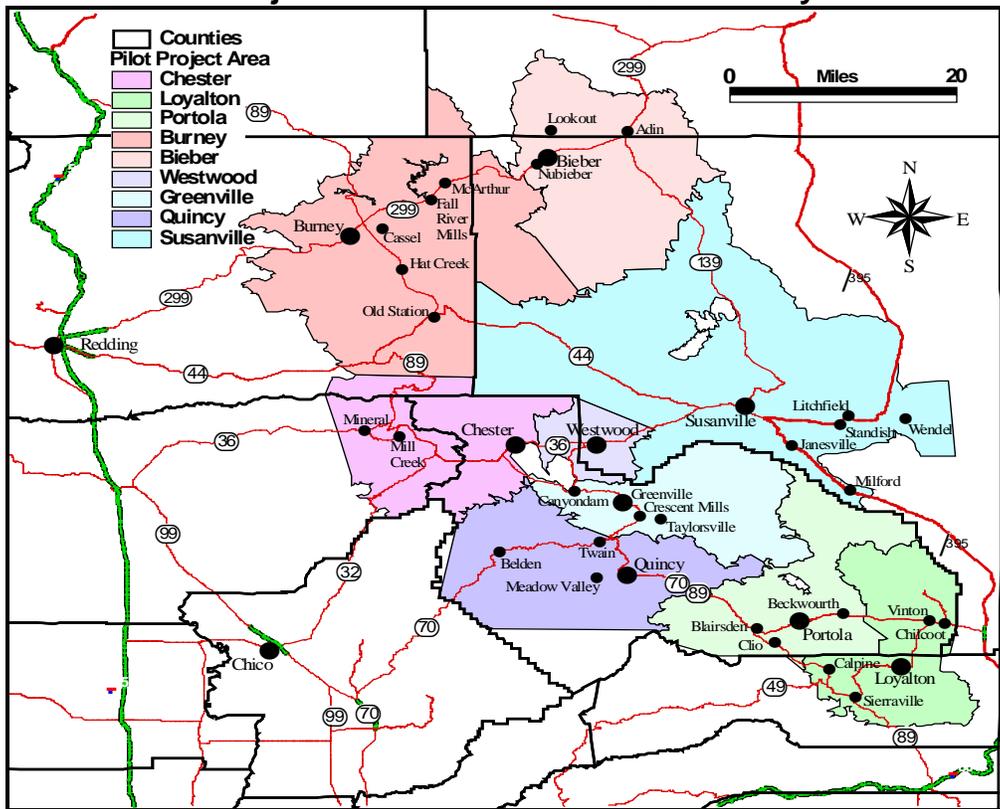
This following provides a snapshot of the HFQLG Pilot Project's progress and performance to date.

### Project Summary

The purpose of this study is to comply with Section 401(j)(1)(D) of the Herger-Feinstein Quincy Library Group Forest Recovery Act (HFQLG Act), which requires the U.S. Forest Service to provide annual status reports to Congress that describe the "economic benefits to local communities achieved by the implementation of the pilot project." This report tracks socioeconomic changes since implementation of the Pilot Project in 1999 using the most recent available data. Monitored communities and the Pilot Project Area, also shown on the map below, include the following:

- **Bieber** - Includes the Big Valley communities of Bieber and Nubieber in Lassen County and Adin and Lookout in Modoc County. *Population (2000): 1,774.*
- **Burney** - Covers most of eastern Shasta County and includes the Hat Creek and Fall River Valley communities of Burney, Cassel, Fall River Mills, Hat Creek, McArthur, and Old Station. *Population (2000): 8,863.*
- **Susanville** - Includes the Honey Lake Valley communities of Janesville, Litchfield, Milford, Standish, Susanville, and Wendel and the Eagle Lake area, all in Lassen County. *Population (2000): 19,055 (not including incarcerated persons).*
- **Westwood** - Includes Westwood in Lassen County and the Peninsula plus the east shore of Lake Almanor in Plumas County. *Population (2000): 4,251.*
- **Chester** - Includes Chester in Plumas County and Mill Creek and Mineral in northeastern Tehama County. *Population (2000): 2,747.*
- **Greenville** - Includes the Indian Valley communities of Crescent Mills, Greenville, and Taylorsville, and also includes Canyondam on Lake Almanor, all in Plumas County. *Population (2000): 2,831.*
- **Quincy** - Includes the Plumas County communities of Belden, Meadow Valley, Quincy, and Twain. *Population (2000): 6,475.*
- **Portola** - Includes the Upper Middle-Fork Feather River communities of Beckwourth, Blairsden, Clio, Graeagle, and Portola, all in Plumas County. *Population (2000): 6,277.*
- **Loyalton** - Includes the Sierra Valley communities of Chilcoot and Vinton in Plumas County and Calpine, Loyalton, and Sierraville in Sierra County. *Population (2000): 2,828.*

### HFQLG Pilot Project Area and Monitored Community Boundaries



Jack Faucett Associates (JFA), a small veteran-owned business, was contracted to independently prepare the socioeconomic monitoring reports for Fiscal Year (FY) 2005 through 2009. JFA worked closely with the HFQLG Pilot Project Implementation Team, which divided the Pilot Project Area into the nine monitored community areas defined by ZIP code areas. With the assistance of Forest Service staff, members of the Quincy Library Group (QLG), and Chico State University's Northeastern California Small Business Development Center, the following socioeconomic indicators were selected for annual monitoring:

1. Estimates of payroll jobs in the forest products and tourism sectors,
2. Non-employer statistics,
3. HFQLG timber sale and removal activities,
4. Value of HFQLG service contracts,
5. Electricity generated by biomass,
6. Estimates of jobs in locally-owned businesses,
7. Establishments by age,
8. Lodging revenue,
9. Retail business activity,
10. Family poverty,
11. Youth education, and
12. Population age structure (Census data).

## Study Conclusions

The remainder of this section highlights key study conclusions. Detailed methodology and analysis narratives for each indicator are available in their entirety within the body of the *FY 2009 HFQLG Socioeconomic Monitoring Report*.

### Pilot Project Area Employment

**Total Payroll Jobs Impacts:** Analysis of the most recent US Census data available shows that from the Pilot Project's initiation in 1999 to 2007, the estimated number of total payroll jobs increased approximately 5 percent. This growth indicates a rebound from the closure of the Sierra Pacific Industries Susanville sawmill in 2004, which was the major cause of a 3.7 percent drop in payroll jobs in the Pilot Project Area in 2005. Census data for 2008 will be released in 2010. Employment data releases in the next several years will reflect the impact of the recession and additional business closures, specifically the Sierra Pacific small-log sawmill operation in Quincy, which occurred in 2009.

**Forest Products Industry Job Impacts:** The Pilot Project has not offset the downturn in forest products industry employment within the project area. Sawmills, the area's largest employers, have continued to shut down (Bieber and Loyalton in 2001, Susanville in 2004, and Quincy in 2009) and small businesses have had to search for work in other areas or close. The table below shows that the estimated total number of forest products industry jobs decreased 1.5 percent in the Pilot Project Area from 2006 to 2007. Since implementation of the Pilot Project in 1999, total forest product industry jobs have decreased 35.5 percent. (Note that the sharp decrease in the Greenville area between 2005 and 2006 is likely the result of a 2005 Census data anomaly. Data for 2006 is more consistent with the historical trend.)

**Total Forest Products Industry Jobs (Estimated)**

Community	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	% Change '06 to '07
Bieber	160	126	182	251	158	158	45	34	33	56	34	36	5.9%
Burney	425	409	361	376	360	361	300	266	342	317	344	344	0.0%
Susanville	342	267	262	269	260	245	240	257	193	205	31	34	9.7%
Westwood	20	54	36	26	24	27	31	49	44	28	13	12	-7.7%
Chester	277	197	209	185	166	169	43	146	152	150	143	143	0.0%
Greenville	27	50	37	46	48	19	6	16	6	85	24	41	70.8%
Quincy	434	426	382	373	329	347	324	296	332	321	329	323	-1.8%
Portola	23	36	13	20	40	54	7	16	43	39	23	10	-56.5%
Loyalton	224	216	210	195	216	105	42	41	42	27	35	18	-48.6%
<b>Total Pilot Project Area</b>	<b>1,772</b>	<b>1,655</b>	<b>1,510</b>	<b>1,490</b>	<b>1,443</b>	<b>1,327</b>	<b>993</b>	<b>1,087</b>	<b>1,154</b>	<b>1,228</b>	<b>976</b>	<b>961</b>	<b>-1.5%</b>

Source: U.S. Census Bureau, ZIP Code Business Patterns

**Tourism Industry Job Impacts:** The number of tourism industry jobs has grown steadily throughout the Pilot Project Area. Since the implementation of Pilot Project in 1999, the number of tourism jobs grew by 32 percent. However, the Pilot Project Area experienced a 1.8 percent contraction in tourism related jobs from 2006 to 2007. Closures of food service and

accommodation establishments occurred in all project areas communities, except in Burney, Chester and Loyalton. Growth is attributed to at least two new foodservice and accommodation establishments opening in each community.

### Tourism Industry Jobs (Estimated)

Community	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	% Change from '06 to '07
Bieber	5	7	2	2	2	2	0	0	0	0	0	0	0.0%
Burney	216	261	199	241	241	264	208	263	314	298	287	300	4.5%
Susanville	562	549	613	579	627	526	680	818	811	752	908	888	-2.2%
Westwood	68	205	215	213	194	207	217	211	251	186	187	164	-12.3%
Chester	99	148	142	135	147	142	127	102	109	95	111	141	27.0%
Greenville	47	37	46	45	38	59	40	35	38	45	31	25	-19.4%
Quincy	226	262	267	276	224	261	268	281	265	313	328	299	-8.8%
Portola	112	121	134	133	154	157	161	306	297	396	347	338	-2.6%
Loyalton	28	30	20	35	26	16	32	36	36	28	33	36	9.1%
<b>Pilot Project Area Total</b>	<b>1,363</b>	<b>1,620</b>	<b>1,638</b>	<b>1,659</b>	<b>1,653</b>	<b>1,634</b>	<b>1,733</b>	<b>2,052</b>	<b>2,121</b>	<b>2,113</b>	<b>2,232</b>	<b>2,191</b>	<b>-1.8%</b>

Source: U.S. Census Bureau, ZIP Code Business Patterns

Job growth in the tourism sector has historically outpaced the growth in the forest products industry sector. Prior to 1999, the ratio of jobs between the two sectors was approximately one-to-one. This means for each job in the forest products sector there was at least one job in the tourism sector. In 2001, the balance began to tip toward the tourism sector. In 2007, there were an estimated 2.28 jobs in the tourism sector for every job in the forest products sector. This indicates diversification in the local economy.

Although the tourism industry has been relatively stable, the number of tourism jobs varies significantly among communities. For example, Bieber has little or no tourism business activity while Susanville has more than twice the number of tourism jobs of any other community in the Pilot Project Area.

Tourism jobs are highly seasonal and the wages are lower those in the forest products industry. According to the U.S. Bureau of Labor Statistics, the average annual wage for workers for in the tourism industry across the nation is approximately \$21,350. This is significantly lower than the average annual wage of \$35,010 earned by workers in the forest products industry.

**Nonemployer Establishments:** Nonemployers are typically small family-owned and owner-operator businesses. Nonemployer forest products and non-forest products industries suffered losses immediately after the Pilot Project's implementation in 1999. However, U.S. Census data, summarized in the table below, shows that the number of all nonemployers and nonemployers in the forest products industry began to rebound after 2001. The total number of nonemployer establishments in all sectors rose by over 27 percent from 2,810 in 1999 to 3,581 in 2007. The number of non-employer establishments has consistently surpassed pre-project implementation levels.

### Nonemployer Firms in the Pilot Project Area

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
All Nonemployers	2,786	2,740	2,810	2,823	2,924	3,134	3,304	3,370	3,438	3,397	3,581
Forest Products Industry	290	302	305	290	290	331	353	353	340	329	339

Source: US Census Nonemployer Statistics 1997-2007

Nonemployers in the forest products industry also experienced significant growth since the implementation of the Pilot Project. The number of forest products nonemployers grew from 305 to 339 firms or over 11 percent from 1999 to 2007. Overall growth in the number of these firms indicates stability among family-owned, owner-operator, and other small businesses. New data will be available in mid-2010 to gauge effects in 2008.

### HFQLG Timber Sales & Service Contract Activity

**Timber Sales:** Timber sales declined precipitously in FY 2003, prior to approval of the Final Supplemental Environmental Impact Statement and Record of Decision for the Sierra Nevada Forest Plan Amendment (SNFPA) in January 2004. The 2004 SNFPA Record of Decision permitted removal of trees with larger diameters than allowed under the 2001 SNFPA Record of Decision. Timber sales recovered in FY 2004, surged in FY 2005, and then began a decline in FY 2006 through 2008. In FY 2008, approximately 90 percent of all Timber Sales or Service Contracts across the HFQLG Pilot Project Area were delayed due to SNFPA litigation. As a result, the volume of sawlogs sold declined more than 50 percent to its lowest level since 2003.

As shown in the table below, the volume of sawlogs sold increased over two-fold from FY 2008 to FY 2009. The surge in FY 2009 is attributed in part to the abnormally low volume sold in FY 2008. Of the total volume of sawlogs sold, approximately 68 percent of sawlogs were from Lassen National Forest, 6 percent from Plumas National Forest, and 26 percent from Tahoe National Forest. Several timber sales were successfully sold without litigation. On one of these projects, the Forest Service redesigned the timber sale with input from the plaintiffs, with the result that the plaintiffs informally agreed not to challenge the redesigned project. This timber sale represented the largest project in volume in the Pilot Project Area in FY 2009.

## HFQLG Timber Sale Activity – Volume &amp; Value by Type

Item	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	% Change FY 08 - FY 09
Volume of Sawlogs Sold (ccf)	10,935	35,527	39,938	4,495	30,521	87,983	75,005	57,904	27,718	92,299	233%
Volume of Biomass Sold (ccf)	21,867	71,213	31,993	11,198	47,902	83,359	77,758	68,818	31,777	63,901	101%
Value of Sawlogs Removed(\$)	\$12,933	\$83,981	\$619,057	\$664,594	\$744,918	\$1,740,091	\$3,657,627	\$1,770,445	\$401,487	\$248,188	-38%
Value of Biomass Removed(\$)	\$2,843	\$197,177	\$352,522	\$275,690	\$532,744	\$1,174,285	\$955,394	\$277,936	\$114,633	\$90,031	-21%
Volume of Sawlogs Removed (ccf)	1,410	5,524	35,288	32,811	31,769	67,310	107,230	53,603	31,608	21,666	-31%
Volume of Biomass Removed (ccf)	4,343	28,876	57,592	26,801	30,023	155,460	84,645	28,932	35,930	27,616	-23%

Source: USDA Forest Service, Timber Sales Activity Statements

\* Data represents both 1999 and 2000. The data were combined due to minimal HFQLG timber sale activity in 1999. The abbreviation “ccf” stands for “hundred cubic feet.”

**Timber & Biomass Removal:** From FY 2008 to FY 2009, the total volumes of sawlogs and biomass removed in HFQLG projects declined 31 and 23 percent respectively. For the sawlogs removed from the Pilot Project Area, approximately 77 percent were from Lassen National Forest, 8 percent from Plumas National Forest and 16 percent from Tahoe National Forest. For biomass volume removed the percentages were Lassen - 85 percent, Plumas – 10 percent, and Tahoe – 5 percent. Consequently, the value of sawlogs and biomass removed in the Pilot Project Area also decreased in FY 2009. The total value removed in HFQLG projects in FY 2009 was \$248,188 in sawlogs and \$90,031 in biomass. The value of sawlogs removed in FY 2009 is allocated to national forests as follows: Lassen – 70 percent, Plumas – 16 percent, and Tahoe – 14 percent.

The decline in removal volumes is attributed to a decreased demand and low timber prices caused by the recession. Timber purchasers typically have three years after contract award to remove the products and may be waiting for improved market conditions to before initiating removal projects.

**Service Contracts:** One of the goals of the HFQLG Pilot Project is to sustain the local economy and support community stability by placing an emphasis on awarding contracts to local bidders. The Forest Service defines “local” as those firms in the Pilot Project Area and the Remainder of the Sierra Cascade Province (defined as northeast California, east of Interstate 5 and north of Interstate 80). The percent share of total contract dollars awarded to local companies in FY 2009 was 70 percent (Pilot Project Area - 22.1 percent plus Sierra Cascade Province Contracting Area – 47.9 percent). Overall (FY 2000 through FY 2009), 65.4 percent of contract value has been

awarded to local contractors (Pilot Project Area- 23.8 percent plus Sierra Cascade Province Contracting Area - 41.6 percent). These trends indicate the local economy captures the majority of HFQLG contract dollars.

**Service Contracts, Amount Awarded by Location of Awardees**  
(Millions of Dollars, Rounded)

	FY '00	FY '01	FY '02	FY '03	FY '04	FY '05	FY '06	FY '07	FY '08	FY '09	Cumulative FY 00-09	% Share FY '09	% Share FY 00-09
Pilot Project Area	\$0.287	\$2.680	\$1.457	\$3.883	\$1.502	\$1.793	\$0.676	\$0.217	\$0.514	\$0.763	\$13.771	22.1%	23.8%
Remainder of Sierra Cascade Province	\$0.293	\$7.005	\$3.678	\$1.195	\$4.334	\$2.272	\$1.123	\$0.675	\$1.805	\$1.650	\$24.029	47.9%	41.6%
Other/Non-local	\$0.471	\$4.576	\$1.987	\$3.800	\$3.523	\$2.045	\$1.328	\$0.953	\$0.269	\$1.036	\$19.988	30.0%	34.6%
<b>TOTAL</b>	<b>\$1.051</b>	<b>\$14.261</b>	<b>\$7.122</b>	<b>\$8.878</b>	<b>\$9.359</b>	<b>\$6.109</b>	<b>\$3.126</b>	<b>\$1.846</b>	<b>\$2.588</b>	<b>\$3.449</b>	<b>\$57.789</b>	<b>100%</b>	<b>100%</b>

Source: USDA Forest Service, HFQLG FY 2000 through FY 2009 Contractor Lists.

### **Biomass Electricity Generation**

Electric power generation from biomass grew by 35.9 percent from 2007 to 2008 in the Pilot Project Area. This is a significant rebound from the over 30 percent decline witnessed from 2006 to 2007. Growth is attributed to biomass power plants in Quincy and Chester. Electric generation in Chester has exceeded its 1999 peak in 2008 even though the sawmill has produced less woodwaste since its renovation in 2003. The biomass power plant in Quincy, operated by Sierra Pacific Industries, increased electricity generation over 100 percent from 2007 to 2008. According to a company representative, the power plant became fully operational and had been receiving fuel supplies from two log sawmills operated by company.<sup>1</sup> However, a decrease in electricity generation from this plant is expected to materialize in next year's CEC data release because Sierra Pacific's small-log sawmill operation in Quincy, a key feedstock provider for the plant, closed in early 2009. California Energy Commission data for FY 2009 activity will be available in 2010.

### **Local Business Environment**

**Jobs in Locally-Owned Businesses:** From 1998 to 2008, the percentage of workers employed by locally-owned businesses in the manufacturing sector increased in all communities within the Pilot Project Area except Susanville. This shift in jobs in the manufacturing sector to locally-owned businesses indicates growth and stability in the local economy. This is also a positive sign since wages in the manufacturing industry are higher than the retail and services industries.

<sup>1</sup> Interview with Representative of Sierra Pacific Industries' power plant. January 5<sup>th</sup>, 2010.

**Establishments by Age:** Dun and Bradstreet (D&B) data from 1998 through 2008 indicates significant growth in the number of business 0 to 5 and 6 to 15 years old age brackets in the Pilot Project Area. However, changes in the D&B's data collection methodology may have artificially inflated these figures. In 2008, corresponding growth did not occur in the 15+ year old age bracket. This data anomaly limits the study team's ability to determine a trend at this time. Therefore, a trend analysis will be available after several years of more consistent data are collected through this monitoring effort.

### **Lodging Revenue**

Lodging revenue is a measure of the degree to which tourism is increasing or decreasing in a region. Most California jurisdictions impose a transient occupancy tax (TOT) on lodging for up to 30 days. While lodging revenue in the Project Area has remained relatively stable since the implementation of the Pilot Project, revenue decreased by 11.44 percent from FY 2007-2008 to FY 2008-2009. This decline is consistent with the reduced traveling trends associated with the recession. In fact, several vacation resorts and cabins rental complexes in the Pilot Project Area have closed or been converted into condominiums.

### **Retail Business Activity**

The most recent data published by the California Board of Equalization shows that from 2006 to 2007 taxable sales transactions in the Pilot Project Area declined greater than those of California. Measured in constant dollars, taxable sales at the state level decreased by 1.62 percent compared to a 5.22 percent decline in the Project Area.

### **Social Health: Family Poverty & Population Age Structure**

There is little statistical connection between implementation of the Pilot Project and change in the two social indicators (Youth Education and Family Poverty). In the 2007-2008 school year, participation in the free and reduced lunch program increased to its highest point since the beginning of the Pilot Project. However, most of this increase is due to a handful of schools in the Burney and Westwood areas. Five communities experienced decreases in program participation in the past year. Data shows those communities that lost sawmills, Loyalton (2001) and Susanville (2004), exhibited an increase in program participation. For example, in the 2000-2001 school year 27 percent of Loyalton students participated in the free and reduced lunch program compared to 33.2 percent participation in 2007-2008. Despite these spikes, region-wide free and reduced lunch program participation is relatively stable with fluctuations between 34 and 39 percent since 1999.

High school dropout rates have also remained relatively stable across all nine communities. Since the Pilot Project began in late 1999, four communities have had minor increases in dropout rates (Bieber, Burney, Quincy and Loyalton) and four have had minor decreases (Susanville, Westwood, Greenville and Portola). High school enrollment in these communities is small, ranging from 100 to 1,200 students. The addition or loss of one student significantly affects the dropout rate.

# 1. INTRODUCTION

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## 1.1 Study Goals & Objectives

The Herger-Feinstein Quincy Library Group Forest Recovery Act (HFQLG Act) requires the U.S. Forest Service to provide status reports to Congress that include:

*§401(j)(1)(D): A description of the economic benefits to local communities achieved by the implementation of the pilot project.*

The Act requires annual monitoring of the socioeconomic changes in local communities during the course of a five-year Pilot Project between 1999 and 2004. Implementation of the Act was extended to 2012.

The purpose of the report is to identify the socioeconomic conditions in local communities impacted by the HFQLG Act and to make a preliminary determination as to the extent to which implementation of the Act has influenced local socioeconomic performance.

In 2006, Jack Faucett Associates (JFA), a small, veteran-owned economics and public policy consulting firm, was contracted to prepare and update the socioeconomic monitoring report. JFA researchers worked closely with the HFQLG Pilot Project Implementation Team, which divided the Pilot Project Area into nine monitored community areas defined by ZIP code areas. With the assistance of Forest Service staff, members of the Quincy Library Group (QLG), and Chico State University's Northeastern California Small Business Development Center (authors of the previous annual studies), ten socioeconomic indicators were selected with data available at the community level to reasonably determine the extent the HFQLG Act has affected these communities. Timber sale activity, the value of service contracts awarded by Pilot Project forests, and retail business activity were also included as indicators. These indicators were selected to measure the impact of the project between FY 1999 and 2009. They include:

1. Estimates of payroll jobs in the forest products and tourism sectors,
2. Non-employer statistics,
3. Estimates of jobs in locally-owned businesses,
4. Establishments by age,
5. Retail business activity,
6. Lodging revenue,
7. Electricity generated by biomass,
8. HFQLG timber sale and removal activities,
9. Value of HFQLG service contracts,
10. Youth education,
11. Family poverty and
12. Population age structure (Census data)

For each of the indicators, JFA collected community-level data and analyzed its utility for measuring the socioeconomic effects of the HFQLG Act. To ensure consistency in reporting and analysis, study staff employed the same methodology, community and industry definitions, and data sources of previous monitoring reports. This report defines each indicator, data limitations, and timeframes for which the data is available.

## 2. PROFILE OF MONITORED COMMUNITIES

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As described in the *Quincy Library Group Community Stability Proposal* (Quincy Library Group, November 1993), the Pilot Project is intended to benefit the social and economic environment of rural forest communities. Accordingly, this study monitors socioeconomic change in nine communities within the Pilot Project Area. The *Community Stability Proposal* specifically lists Bieber, Susanville, Chester, Greenville, Quincy, and Loyalton as communities that are “highly dependent” on the forest products industry. To enable the study of a contiguous area, this study also incorporates the communities of Burney, Westwood, and Portola. The following sections include a detailed description of each of these communities and a profile of recent economic trends. For each community, an analysis of recent economic events regarding sawmills, biomass power plants, and tourism is provided.

ZIP code boundaries define each of the nine communities examined. Previous monitoring reports established community boundaries after close communication with QLG members and Forest Service staff. Data for each ZIP code were combined and included as part of the community analyzed. In most cases, ZIP code-level data were collected for the community area-level analysis. However, where ZIP code data are unavailable, county or city data are presented. A map is provided following these descriptions of monitored community areas.

- **Bieber** - Includes the Big Valley communities of Bieber and Nubieber in Lassen County and Adin and Lookout in Modoc County. *Population (2000): 1,774.*

The smallest community in the Pilot Project Area, Bieber suffered from decline in the livestock and timber industries in the 1990s. This community was hit hard by the closure of all of its lumber mills between 1996 and 2001. Thirty jobs were lost with the closure in 1996; the 2001 closure of the Big Valley Lumber-Bieber mill and cogeneration plant resulted in a loss of at least 65 jobs.<sup>2</sup> However, Big Valley Power re-opened the power plant in 2005 and the sawmill in 2007, creating a total of thirty jobs on-site and thirty more jobs in the woods (mostly in the Modoc National Forest). The new Big Valley sawmill processes nine million board feet per year, a much smaller output than the facility that closed in 2001, and therefore has fewer employees.

- **Burney** - Covers most of eastern Shasta County and includes the Hat Creek and Fall River Valley communities of Burney, Cassel, Fall River Mills, Hat Creek, McArthur, and Old Station. *Population (2000): 8,863.*

Burney has been successful in attracting small employers outside of the forest products industry, which is fortunate because the forest products industry here has been in decline since the mid-1990s. Despite this, overall economic growth has been positive in Burney since 1998. Burney has two lumber mills, operated by Sierra Pacific Industries and Shasta Green (the successor to the Big Valley Lumber-Burney mill). Three biomass power plants are also located in this community area.

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<sup>2</sup> “Big Valley Lumber closes Bieber mill,” *Modoc Record*, May 5, 2001.

- **Susanville** - Includes the Honey Lake Valley communities of Janesville, Litchfield, Milford, Standish, Susanville, and Wendel and the Eagle Lake area, all in Lassen County. *Population (2000): 19,055 (not including incarcerated persons).*

In 2004, a Sierra Pacific sawmill closed in Susanville, leaving 150 workers without jobs.<sup>3</sup> The cogeneration plant at the mill closed soon after, although one additional power plant remains near Wendel (uniquely combining geothermal and biomass). Prison administration is now the lifeblood of the local economy. California Correctional Center opened in 1963 (1,200 employees). High Desert State Prison, east of Susanville, opened in 1995 (1,500 employees). In 2005, a federal prison opened in Herlong, just outside of the Pilot Project Area.

- **Westwood** - Includes Westwood in Lassen County and the Peninsula plus the east shore of Lake Almanor in Plumas County. *Population (2000): 4,251.*

Westwood was established circa 1912 as a company town of the Red River Lumber Company (later Fruit Growers Supply). It was once billed as the world's largest pine lumber mill, but today there are no mills in this community. One biomass power plant operates near Westwood. Most of the economic activity in this community area occurs in the Lake Almanor area.

In the early 2000s, business investors started to gear up for the anticipated development of the Dyer Mountain ski resort near Westwood. In September 2007, the Lassen County Board of Supervisors certified the final environmental impact report and approved the development agreement for the resort. The project continues to be controversial and may still be in jeopardy for future implementation.

- **Chester** - Includes Chester in Plumas County and Mill Creek and Mineral in northeastern Tehama County. *Population (2000): 2,747.*

Chester's economy continues to grow slowly despite gradual decline in the forest products industry since 1996. A Collins Pine sawmill, re-built in 2002-03, and cogeneration power plant are located in Chester. Tourism and related industries have expanded rapidly in the Chester/Lake Almanor area. The Lassen Volcanic National Park headquarters and southwest entrance are located in this community area.

- **Greenville** - Includes the Indian Valley communities of Crescent Mills, Greenville, and Taylorsville, and also includes Canyon Dam on Lake Almanor, all in Plumas County. *Population (2000): 2,831.*

Greenville was one of the first communities hit by a mill closure in the late 1980s (Louisiana Pacific in Crescent Mills). The community has recovered somewhat since then, evidenced by small increases in tourism and other industries, leading to an increase in overall jobs between 1995 and 1999. A small, family-run specialty sawmill is in Taylorsville (Indian Valley Lumber). No biomass power plants are in Indian Valley.

- **Quincy** - Includes the Plumas County communities of Belden, Meadow Valley, Quincy, and Twain. *Population (2000): 6,475.*

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<sup>3</sup> <http://www.reddingemployment.com/newsarchive/20031217toplo037.shtml>

Quincy has regained most of the jobs it lost in the past decade, but forests products industry jobs are still below pre-Pilot Project levels. Quincy contains a Sierra Pacific lumber mill that houses a cogeneration facility. In 2009, the small-log portion of the Sierra Pacific's lumber mill operation was shuttered; displacing 150 employees.

- **Portola** - Includes the Upper Middle-Fork Feather River communities of Beckwourth, Blairsden, Clio, Graeagle, and Portola, all in Plumas County. *Population (2000): 6,277.*

The Portola area has seen the most economic success in the Pilot Project Area since 1998. The tourism industry has been gaining steadily here with the opening of new golf courses and resorts. Graeagle is responsible for many of the local gains in tourism. The Portola area is providing retail and personal services to commuters traveling to the Truckee and Reno areas. No mill or biomass power plant is located in this area; forest products industry jobs are limited to logging, woodworking and forestry support.

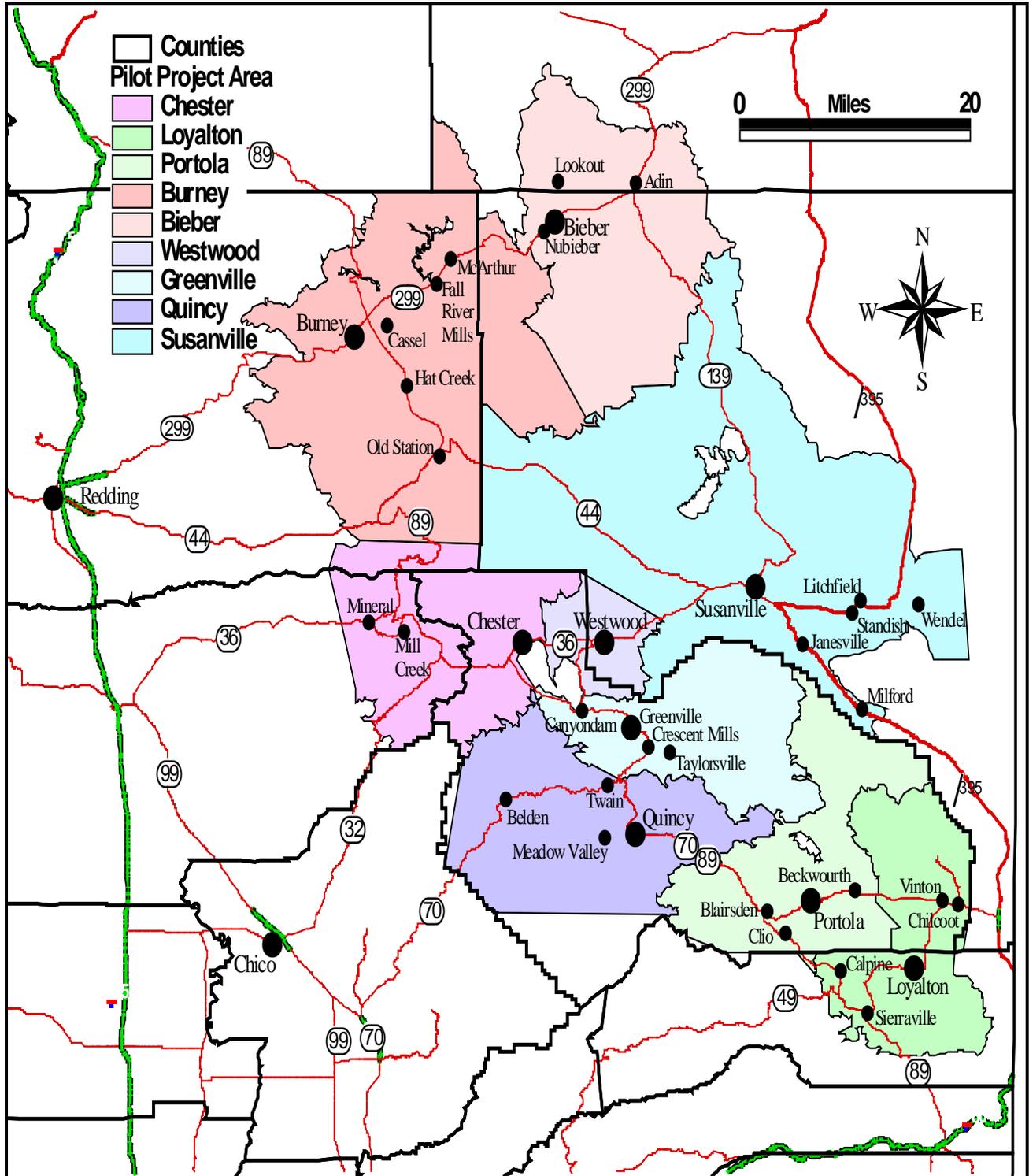
- **Loyalton** - Includes the Sierra Valley communities of Chilcoot and Vinton in Plumas County and Calpine, Loyalton, and Sierraville in Sierra County. *Population (2000): 2,828.*

Loyalton is in a transition phase after a Sierra Pacific sawmill closed in 2001, resulting in 180 lost jobs.<sup>4</sup> The area has become attractive to commuters to Truckee and Reno because of lower home prices. Neither tourism nor any other industry has replaced forest project industry jobs here. The Sierra Pacific biomass power plant continues to operate here despite the mill closure.

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<sup>4</sup> <http://www.fseee.org/index.html?page=http%3A//www.fseee.org/forestmag/0203quincy.shtml>

### HFQLG Pilot Project Area and Monitored Community Boundaries



### 3. SOCIOECONOMIC MONITORING RESULTS

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The purpose of this annual report is to track year-to-year socioeconomic change in the Pilot Project Area since the implementation of the HFQLG Act in 1999. This chapter presents an analysis of the following 12 socioeconomic indicators:

1. Payroll Jobs Forest Products and Tourism Industries
2. Nonemployers in Forest Products Industry
3. HFQLG Timber Sale and Removal
4. Value of Service Contracts
5. Electricity from Biomass
6. Jobs in Locally-owned businesses
7. Establishment by years in business
8. Lodging Revenue
9. Retail Business Activity
10. Youth Education
11. Family Poverty
12. Population Age Structure

The following sections contain an overview of each indicator's significance, an explanation of the methodology used to collect and assemble data, and an analysis of the current trends in the Pilot Project Area communities. Data for each indicator is illustrated graphically and accompanied by a table containing the raw data. Raw data is provided to enable trend analysis. Where applicable, data tables include a column highlighting the percent change from the previous to the most recent year. Due to the small size of these communities, year-to-year percent changes may fluctuate significantly. In most cases, figures for the entire Pilot Project Area are also provided. Readers may find this figure useful in tracking overall regional performance under the HFQLG Pilot Project.

#### 3.1 Payroll Jobs: Forest Products and Tourism Industries

This study uses statistics published by the U.S. Census Bureau called *ZIP Code Business Patterns* to estimate the number of jobs by industry at the community level. *ZIP Code Business Patterns* provides information on the total number of establishments by firm size, employment and payroll for more than 40,000 five-digit ZIP code areas nationwide. Most ZIP codes are derived from the physical location address reported in Census Bureau programs. The Internal Revenue Service (IRS) provides supplemental information. Although *ZIP Code Business Patterns* is published annually, there is two-year lag time from when statistics are collected (typically the week of March 12<sup>th</sup>) and officially released to the public. The most recent data series is 2007. Data for 2008 will be available in mid-2010.

Government employment, such as direct employment at prisons (an important sector in the Pilot Project area), is not included in this data series. These data also do not include self-employment

statistics because they are not payroll jobs. Socioeconomic analysis on this group, classified as “nonemployers,” is provided in Section 3.2.

Business activity statistics are published by industry type as defined by the North American Industry Classification System (NAICS). The U.S., Canadian, and Mexican governments developed NAICS to enable comparison of business activity across North America. Each business is classified by its primary activity and is assigned a NAICS code. Data is reported between two and six-digit NAICS code levels, where the two-digit level represents the aggregate of all sub-sectors within an industry group and the six-digit level provides information on more specific business groups.<sup>5</sup> All available economic data reported by the U.S. Census for communities within the Pilot Project Area were compiled and analyzed for this report.

This section examines three categories of payroll jobs:

- All private sector businesses (All NAICS Codes),
- The forest products industry (all businesses in NAICS Code 113, 321, and 484) and
- The tourism industry (NAICS Codes 71 and 72).

Forest product industrial activity includes timber tract management, logging, forestry support activities, wood products, paper and allied products, furniture and related products. Also included is specialized truck transportation (NAICS Codes 484110 and 484220). Specialized trucks are often used to haul logs, lumber and forestry-related materials including biomass, soil and other debris. The tourism sector businesses consist of arts and entertainment, amusement, recreation, accommodation, eating and drinking places, and sightseeing tours. The Indian casino near Susanville is not included because it is classified as tribal government.

### ***Why is it important?***

This information is used to empirically test the impact of the HFQLG Act's planning and implementation activities on the local economy.

### ***How are Pilot Project communities doing?***

#### **Total Payroll Jobs**

As seen in Exhibit 1 and Table 1, between 1995 and 1999, before implementation of the Pilot Project, four of the nine communities showed an upward trend in total payroll jobs (Burney, Westwood, Greenville, and Portola) and only the community that lost a lumber mill during that period, Bieber, showed a downward trend. After Pilot Project implementation began, job growth in the nine communities generally contracted through 2002, but increased in 2003 and 2004. The

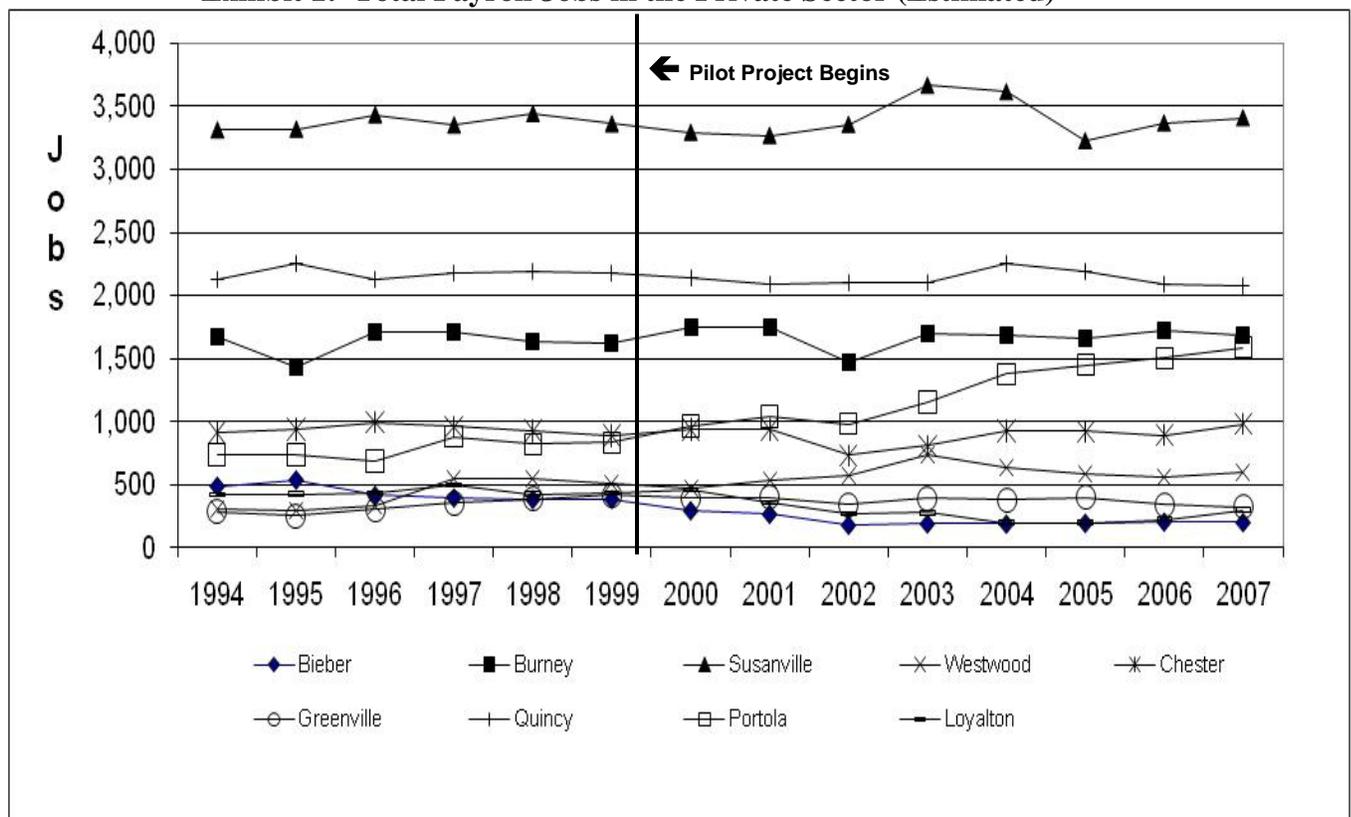
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<sup>5</sup> For example, NAICS Code 32 includes information on all businesses involved in manufacturing, NAICS Code 321 provides specific information on wood products manufacturing firms, and NAICS Code 321113, a six-digit code, offers micro-level detail on businesses engaged only in sawing dimension lumber, boards, beams, timbers, poles, ties, shingles, shakes, siding, and wood chips from logs or bolts. Definitions of all NAICS Codes can be accessed at <http://www.census.gov/epcd/www/naics.html>.

2004 closure of the Sierra Pacific Industries sawmill in Susanville was the major cause of a 3.7 percent drop in total payroll jobs for the Pilot Project Area in 2005.

From 2006 to 2007, the estimated number of private sector payroll jobs in the Pilot Project Area grew by 2.4 percent. Job losses occurred in the communities of Bieber, Burney, Greenville and Quincy. According to Census data, Greenville, the community with the highest job loss, experienced several business closures including wood cabinetry manufacturing and specialized trucking establishments. Despite these losses, overall job growth in the Pilot Project Area was positive due to proportional growth occurring in Westwood, Portola, and Loyalton. Census data also indicates that growth in Loyalton stems from the addition and employment expansion of several establishments involved in construction (poured concrete contractors) and social services (childcare, healthcare, and vocational rehabilitation). Growth in Chester stems from retail sector expansion, particularly new hires by existing supermarkets, building material stores, and pharmacies.

**Exhibit 1: Total Payroll Jobs in the Private Sector (Estimated)**



Source: U.S. Census Bureau, ZIP Code Business Patterns

**Table 1: Total Payroll Jobs in the Private Sector (Estimated)**

Community	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	% Change '06 to '07
Bieber	539	415	396	384	384	294	265	177	188	187	193	203	199	-2.0%
Burney	1,429	1,708	1,716	1,629	1,625	1,744	1,749	1,475	1,691	1,684	1,662	1,723	1,683	-2.3%
Susanville	3,319	3,433	3,352	3,441	3,361	3,294	3,270	3,356	3,664	3,613	3,227	3,368	3,409	1.2%
Westwood	292	332	548	552	509	473	529	573	732	629	589	554	600	8.2%
Chester	937	995	960	927	889	938	940	730	808	926	921	894	979	9.5%
Greenville	252	305	351	386	415	394	398	342	393	376	399	341	322	-5.6%
Quincy	2,257	2,130	2,182	2,189	2,180	2,142	2,094	2,108	2,096	2,251	2,191	2,083	2,073	-0.5%
Portola	735	686	878	819	833	963	1,038	980	1,155	1,378	1,449	1,502	1,586	5.6%
Loyalton	425	433	497	426	432	459	359	267	275	198	198	223	298	33.6%
<b>Pilot Project Area Total</b>	<b>10,185</b>	<b>10,437</b>	<b>10,880</b>	<b>10,753</b>	<b>10,628</b>	<b>10,701</b>	<b>10,642</b>	<b>10,008</b>	<b>11,002</b>	<b>11,242</b>	<b>10,829</b>	<b>10,891</b>	<b>11,149</b>	<b>2.4%</b>

### **Forest Product Industry Jobs**

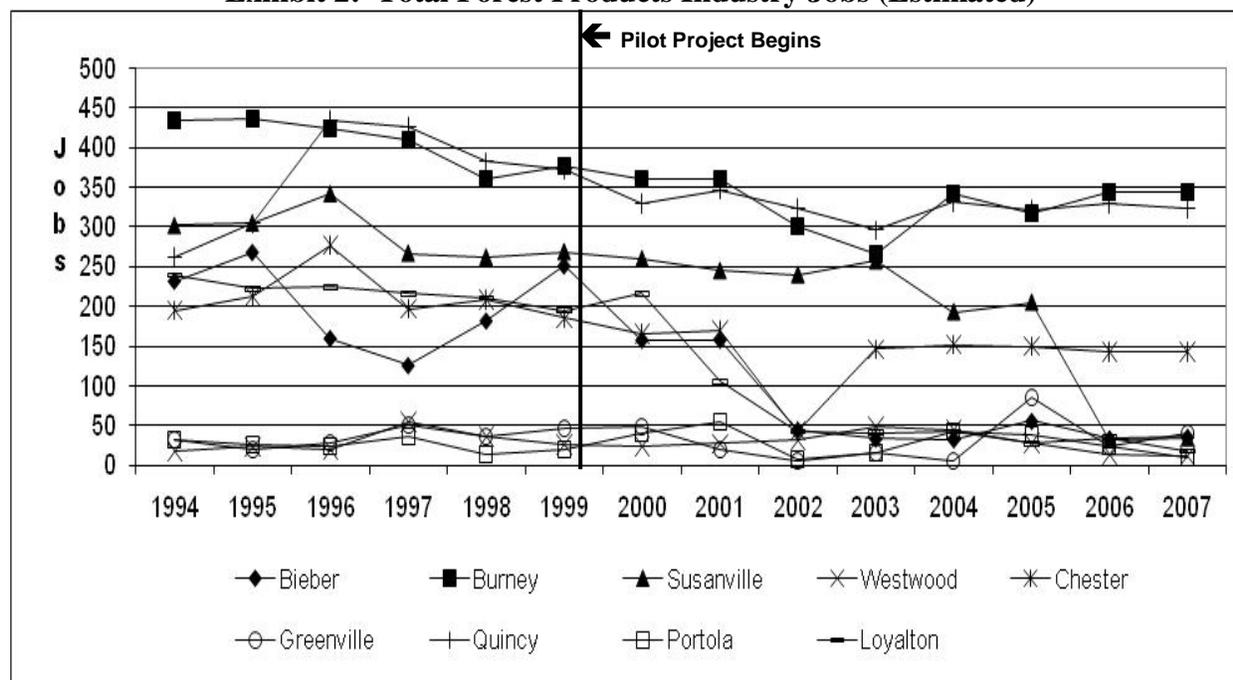
The number of forest product jobs in Pilot Project Area communities fluctuates from year to year due to mill downtime, mill closures, and the availability of timber and forestry-related contracts. For example, Bieber's mill closures in 1996 and 2001, Loyalton's mill closure in 2001, and Susanville's mill closure in 2004 produced sharp declines in forest product jobs in these communities (Table 2). However, a 1996 mill expansion in Quincy added approximately 150 forest product jobs in that community that year. A Burney sawmill survived a foreclosure in 2001 as a result of new private investment and the availability of HFQLG timber. Forest product jobs in Susanville fell from 193 in 2004 to 31 in 2006 as a result of a mill closure. The recent 50 percent loss in forest products jobs in Loyalton from 2006 to 2007 is attributed to shuttering of two small (1 to 4 employees) logging businesses.

The significant drop in employment in Chester in 2002 is attributed to a temporary mill closure. The Collins Pine sawmill, originally built in 1943, closed for a major renovation in late November 2002 and re-started operations in September 2003. A Collins Pine manager estimated that 85 percent of the mill's workforce returned to work when the mill reopened. As seen in Table 4-2, the 2003 re-opening of the mill restored forest product employment in that community to near its 2001 level.

As shown in Table 2, the Pilot Project Area experienced a 1.5 percent decrease in forest products industry jobs from 2006 to 2007. Overall (1999 to 2007) forest products jobs have decreased by over 35 percent since implementation of the Pilot Project. It is important to note that job loss statistics will likely intensify in subsequent reporting years as the impact of the recession and other local business changes become apparent in the Census data. For example, the data does not yet reflect the May 2009 closure Sierra Pacific Industries small-log sawmill, which employed

150 workers. In a March 2009 press release, the company cited a “challenging lumber market combined with litigation over timber harvests on nearby national forest lands” as the key drivers behind the closure.<sup>6</sup> Future data will show whether these displaced forest products industry workers are absorbed by other related businesses.

**Exhibit 2: Total Forest Products Industry Jobs (Estimated)**



**Table 2: Total Forest Products Industry Jobs (Estimated)**

Community	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	% Change '06 to '07
Bieber	232	268	160	126	182	251	158	158	45	34	33	56	34	36	5.9%
Burney	435	437	425	409	361	376	360	361	300	266	342	317	344	344	0.0%
Susanville	302	305	342	267	262	269	260	245	240	257	193	205	31	34	9.7%
Westwood	17	23	20	54	36	26	24	27	31	49	44	28	13	12	-7.7%
Chester	195	212	277	197	209	185	166	169	43	146	152	150	143	143	0.0%
Greenville	32	20	27	50	37	46	48	19	6	16	6	85	24	41	70.8%
Quincy	262	304	434	426	382	373	329	347	324	296	332	321	329	323	-1.8%
Portola	31	25	23	36	13	20	40	54	7	16	43	39	23	10	-56.5%
Loyalton	239	222	224	216	210	195	216	105	42	41	42	27	35	18	-48.6%
<b>Total Pilot Project Area</b>	<b>1,513</b>	<b>1,548</b>	<b>1,772</b>	<b>1,655</b>	<b>1,510</b>	<b>1,490</b>	<b>1,443</b>	<b>1,327</b>	<b>993</b>	<b>1,087</b>	<b>1,154</b>	<b>1,228</b>	<b>976</b>	<b>961</b>	<b>-1.5%</b>

Source: U.S. Census Bureau, ZIP Code Business Patterns

Despite the negative outlook, there has been small growth in Bieber, Susanville, and Greenville in the past three years. The increase in the Bieber area seen from 2004 to 2007 mostly is due to

<sup>6</sup> “Sierra Pacific Industries Announces Mill Closure at Quincy, California – Blames Environmental Litigation and Market Conditions” Sierra Pacific Industries Press Release, March 2, 2009. <http://www.qlg.org/pub/miscdoc/mills/QuincySmallLogPressRelease.doc> (Accessed December 2, 2009)

re-activation of the Big Valley biomass power plant in June 2005. Greenville's job growth from 2004 to 2005 is believed to be over-stated because local sources at the Indian Valley Chamber of Commerce are unable to identify any business responsible for the change.<sup>7</sup> Job estimates developed using 2006 and 2007 Census data is more consistent with Greenville's historical trend. Census data indicates that forest products jobs in Greenville increased because of new logging contracting, forestry support, and specialized trucking establishments.

### **Tourism Industry Jobs**

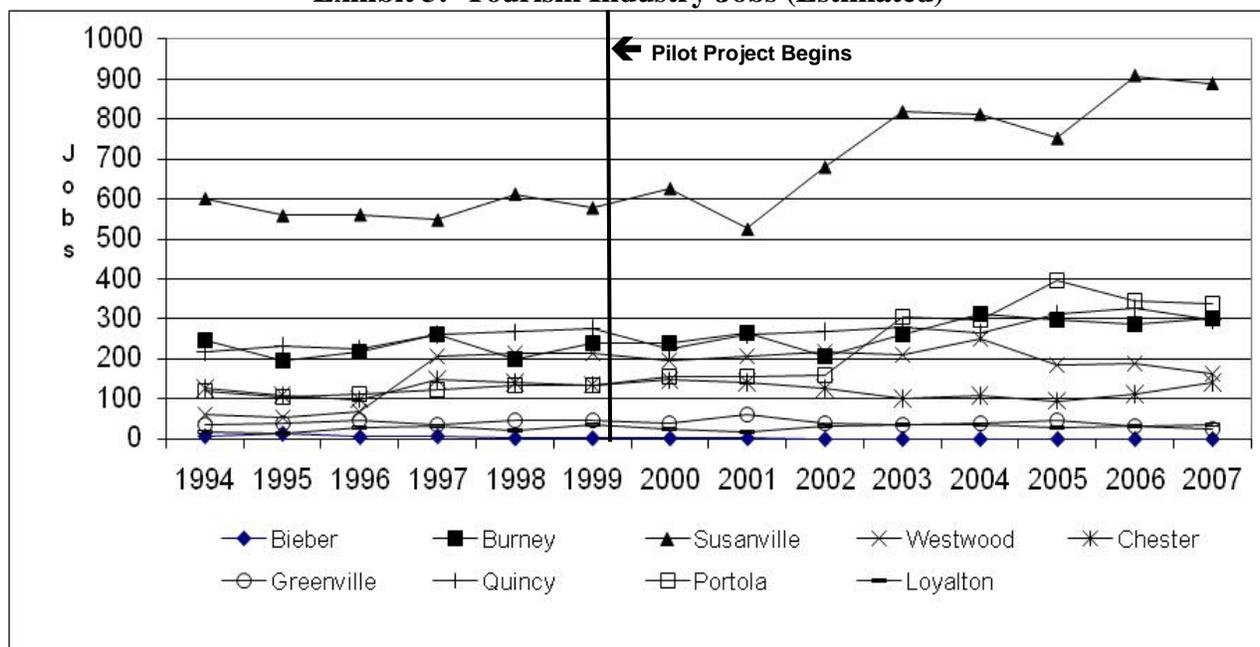
The number of tourism industry jobs has grown steadily throughout the Pilot Project Area since 2000. Since the implementation of the Pilot Project to 2007, the number of tourism jobs grew by 32 percent. However, the Pilot Project Area experienced a 1.8 percent contraction in tourism related jobs from 2006 to 2007. Closures of food service and accommodation establishments occurred in all project areas communities, except in Burney, Chester and Loyaltown. Growth is attributed at least two new establishments opening in each of the three communities.

Job growth in the tourism sector consistently outpaced the growth in the forest products industry sector throughout the Pilot Project Area. Prior to 1999, the ratio of jobs between the two sectors was approximately one-to-one. This means for each job in the forest products sector there was one job in the tourism sector. In 2001, the balance began to tip toward the tourism sector. Despite the retraction in tourism job growth from 2006 to 2007, there were an estimated 2.28 jobs in the tourism sector for every job in the forest products sector. This indicates a significant diversification in the local economy since the implementation of the Pilot Project.

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<sup>7</sup> The business at issue was classified to NAICS 321999 (All other miscellaneous wood product mfg), had a Crescent Mills ZIP code and had 50 to 99 employees. It may have been College Fund Forest Products, a small custom sawmill in Crescent Mills that produced cedar fencing circa 2005 and has since closed. However, a representative of the Indian Valley Chamber of Commerce, a local business organization familiar with the operation, said that it had fewer than 50 workers.

**Exhibit 3: Tourism Industry Jobs (Estimated)**



Source: U.S. Census Bureau, ZIP Code Business Patterns

**Table 3: Tourism Industry Jobs (Estimated)**

Community	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	% Change from '06 to '07
Bieber	7	13	5	7	2	2	2	2	0	0	0	0	0	0	0.0%
Burney	245	197	216	261	199	241	241	264	208	263	314	298	287	300	4.5%
Susanville	602	560	562	549	613	579	627	526	680	818	811	752	908	888	-2.2%
Westwood	60	54	68	205	215	213	194	207	217	211	251	186	187	164	-12.3%
Chester	126	110	99	148	142	135	147	142	127	102	109	95	111	141	27.0%
Greenville	34	39	47	37	46	45	38	59	40	35	38	45	31	25	-19.4%
Quincy	217	232	226	262	267	276	224	261	268	281	265	313	328	299	-8.8%
Portola	120	104	112	121	134	133	154	157	161	306	297	396	347	338	-2.6%
Loyalton	16	14	28	30	20	35	26	16	32	36	36	28	33	36	9.1%
<b>Pilot Project Area Total</b>	<b>1,427</b>	<b>1,323</b>	<b>1,363</b>	<b>1,620</b>	<b>1,638</b>	<b>1,659</b>	<b>1,653</b>	<b>1,634</b>	<b>1,733</b>	<b>2,052</b>	<b>2,121</b>	<b>2,113</b>	<b>2,232</b>	<b>2,191</b>	<b>-1.8%</b>

Tourism industry employment continues to show a significant degree of variation between communities. As illustrated in Exhibit 3 and Table 3, Bieber has little or no tourism business activity while Susanville has more than twice the tourism jobs of any other community in the Pilot Project Area. Since implementation of the Pilot Project, four communities had a significant increase in tourism jobs through 2007 (Burney, Susanville, Quincy, and Portola). Growth spurts in Susanville and Portola are attributed to new restaurants and resorts.

Tourism job growth is a positive sign for the local economy. However, it is important to note that wages in the forest products industry are higher than those in the tourism industry. The 2008 Occupational Employment and Wage Estimates by the U.S. Bureau of Labor Statistics shows

that the average nationwide annual wage for workers in the forest product industry is approximately \$35,010. This is significantly higher than the \$21,350 average annual wage for workers in the tourism industry.<sup>8</sup> This difference is because the forest products sector jobs involve more value-added production and skilled labor-intensive activities such as manufacturing and logging. These activities require more training for operating and maintaining specialized equipment and machinery. Tourism jobs are also highly seasonal and as a result, some workers do not collect a full-year's worth of wages.

### 3.2 Nonemployers in the Forest Product Industry

Nonemployers are small businesses and private contractors that have no payroll. The U.S. Census Bureau defines a nonemployer business as one that has no paid employees, produces annual business receipts of \$1,000 or more and is subject to federal income taxes. This business classification is informally known as the "lone wolves." Nonemployer statistics are collected by the U.S. Census Bureau and are based on information from self-employment income tax returns submitted to the Internal Revenue Service and the U.S. Census Business Registry.

Exhibit 4 presents the total number of all nonemployer firms and the total number of nonemployer firms in the forest products industry sector (defined here as NAICS codes 11, 31-33 and 48-49). The definition of the "forest products industry" is broader in this section. It includes all nonemployers in Agriculture, Forestry, Fishing and Hunting (NAICS 11), Manufacturing (NAICS 31-33) and Transportation and Warehousing (NAICS 48-49). The forest products industry dominates these sectors, even though not all firms in these sectors are in the forest products industry.

Census data for 2007 was aggregated for Lassen, Plumas and Sierra counties. Data for 2008 will be available in 2010 as there is a two-year lag between data collection to publication. County-level data was used because the Census Bureau does not report nonemployer data at the ZIP code-level. The data is presented using an index, a numerical scale used to compare variables with one another or with a reference number. In this case, the data show change in the number of nonemployer firms relative to 1997.

#### *Why is it important?*

Nonemployer statistics serve as an indicator of the Pilot Project's impact on small businesses. Timber falling and log hauling operations are typically small, family-owned and/or owner-operator establishments. These statistics include independent truck drivers and family-owned wood working operations.

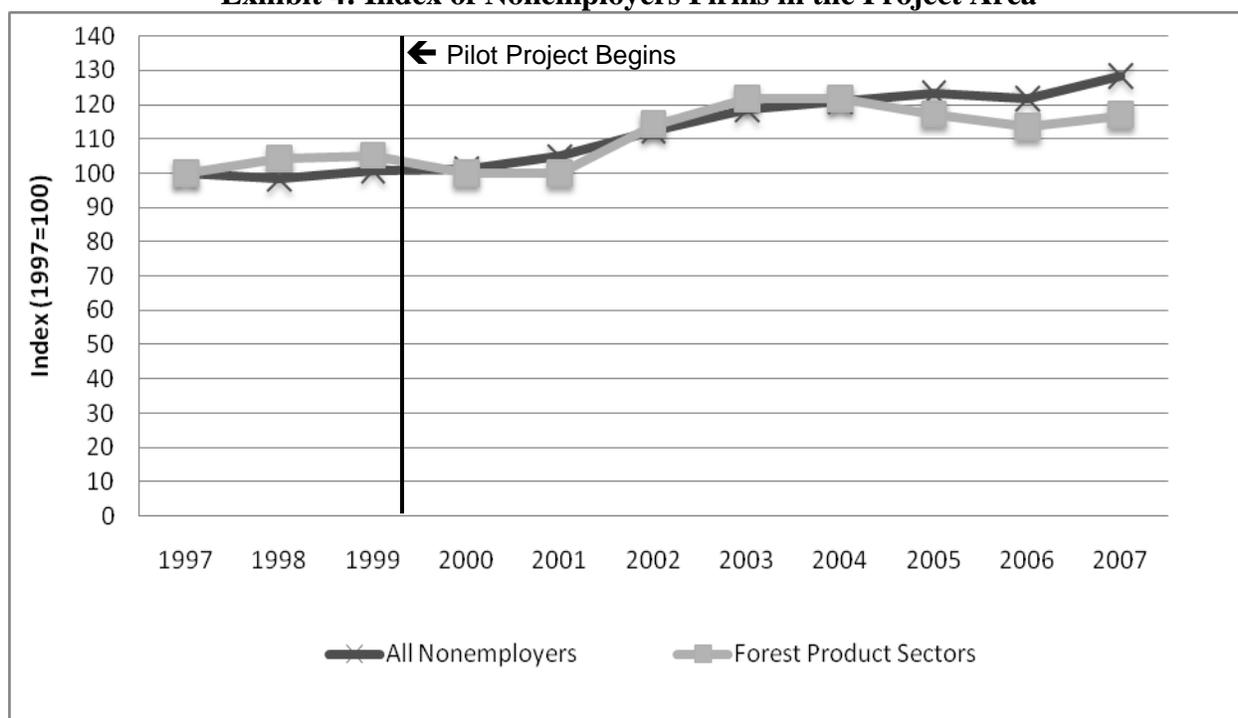
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<sup>8</sup> Study staff collected national average annual wage data for the Forestry and Logging (NAICS 113) industries and compared it to the average annual wage data reported in the Accommodation and Food Services sectors (NAICS 72). Bureau of Labor Statistics, Occupational Employment and Wage Survey Data is accessible at the following URL: [http://stats.bls.gov/oes/oes\\_data.htm](http://stats.bls.gov/oes/oes_data.htm)

**How are Pilot Project communities doing?**

The number of all nonemployers and nonemployers in the forest products industry has grown steadily since the implementation of the Pilot Project. As shown in Exhibit 4 and Table 4, the total number of nonemployers in all sectors rose by over 27 percent from 2,810 firms in 1999 to 3,581 firms in 2007. Nonemployers in the forest products industry also experienced significant growth since the implementation of the Pilot Project. The number of forest products nonemployers grew from 305 to 339 firms or over 11 percent over the same period. The 2007 data shows that the nonemployers have rebounded after that small decline in the number from 2005 to 2006. Overall growth in the number of these firms since 1999 indicates stability among family-owned, owner-operator, and other small businesses.

**Exhibit 4: Index of Nonemployers Firms in the Project Area**



**Table 4: Nonemployer Firms in the Pilot Project Area**

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
All Nonemployers	2,786	2,740	2,810	2,823	2,924	3,134	3,304	3,370	3,438	3,397	3,581
Forest Products Industry Nonemployers	290	302	305	290	290	331	353	353	340	329	339
<b>Index (1997=100)</b>											
All Nonemployers	100.0	98.3	100.9	101.3	105.0	112.5	118.6	121.0	123.4	121.9	128.5
Forest Product Industry Nonemployers	100.0	104.1	105.2	100.0	100.0	114.1	121.7	121.7	117.2	113.4	116.9
Source: U.S. Census, Nonemployer Statistics											

### 3.3 HFQLG Timber Sale and Removal Activity

Timber includes sawlogs and biomass. The Forest Service offers timber sales contracts under the Pilot Project to companies to remove marketable timber from the Lassen and Plumas National Forests and the Sierraville Ranger District of the Tahoe National Forest. The following data is from these contracts and from quarterly invoices submitted to the Forest Service by contractors as marketable timber is removed. Timber sold is not necessarily removed in the year of sale; it is typically removed within three years after sale. As a result, the volume of sale and volume of removal may not correspond in any given year.

#### *Why is it important?*

The Pilot Project seeks not only to improve forest health by restoring fire-adaptive ecosystems, but also to maintain local economic stability by removing marketable timber from designated areas. The volume and value of timber removed are the most tangible indicators of the Pilot Project's socioeconomic performance. Removal of sawlogs and biomass in HFQLG projects drives the local economy by generating jobs and products in the logging, milling, biomass power production, and other forest-related industries.

This study evaluates data for the HFQLG Pilot Project Area as a whole. Community-level data is not available due to timber industry establishments, such as Sierra Pacific Industries, operating multiple establishments in the Pilot Project Area. Even if such data were available, reporting would possibly disclose proprietary information due to the small size and the limited number of establishments in these communities.

#### *How are Pilot Project communities doing?*

As illustrated in Exhibit 5 and detailed in the Table 9, timber sales declined in FY 2003, prior to approval of the Final Supplemental Environmental Impact Statement and Record of Decision for the Sierra Nevada Forest Plan Amendment (SNFPA) in January 2004. The 2004 SNFPA Record of Decision permitted removal of trees with larger diameters than allowed under the 2001 SNFPA Record of Decision. Consequently, timber sales recovered in FY 2004 and surged in FY 2005, reaching new peaks for volume and value for both sawlogs and biomass since implementation of the Pilot Project.

In FY 2006, litigation hampered timber sales with significant volume and acreage. Lawsuits stopped five timber sales in the Lassen National Forest. Six timber sales ceased in the Plumas National Forest after three Environmental Impact Statement (EIS) documents were appealed and needs for additional analysis were identified. No timber was sold in FY 2006 in the Sierraville Ranger District of the Tahoe National Forest because an EIS identified the need for additional analysis. The timber sales that were sold and not litigated generally had smaller amounts of sawlogs and larger amounts of biomass, which affected the values that were sold.

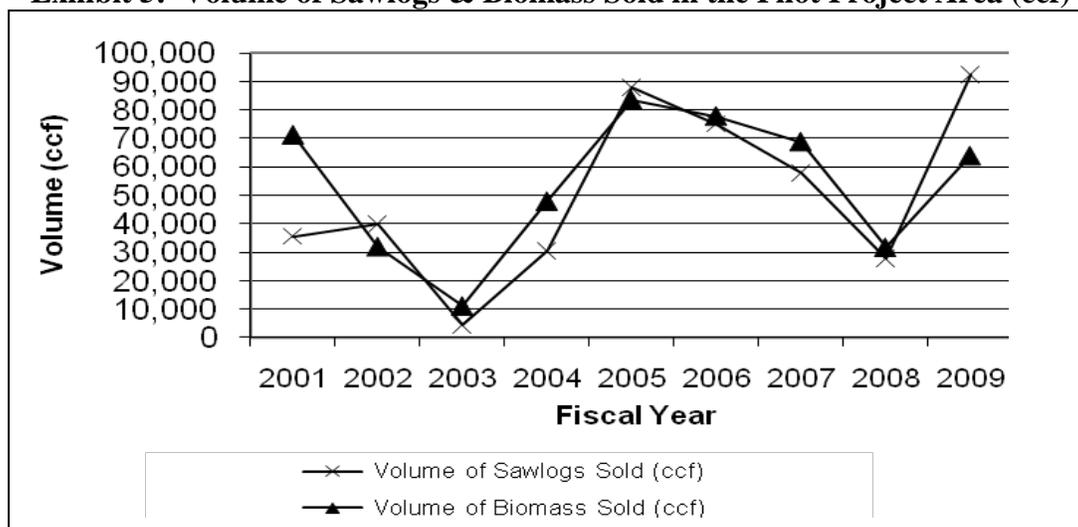
During FY 2007, appeals and litigation continued to affect the amount of sawlogs and biomass available for the Forest Products Industry. The Forest Service attempted to award projects

however were taken to court by the SNFPA plaintiffs. In September 2007, the Eastern District Federal Court denied injunctions to stop the Empire, Slapjack and Basin pilot projects in the Plumas National Forest; however, those projects were later enjoined by appeals to the 9<sup>th</sup> Circuit Federal Court.

Appeals and litigation also impacted the amount of sawlogs and biomass available for the Forest Products Industry in FY 2008. Approximately 90 percent of all Timber Sales or Service Contracts across the HFQLG Pilot Project Area were delayed. The volume of sawlogs sold declined more than 50 percent to its lowest level since 2003. Volume of biomass sold also was halved.

Despite continuing litigation, the volume of sawlogs sold increased over 230 percent from FY 2008 to FY 2009. This high percentage boost is attributed in part to the abnormally low volume sold in FY 2008. Of the total volume of sawlogs sold, approximately 68 percent was from Lassen National Forest, 6 percent from Plumas National Forest, and 26 percent from Tahoe National Forest. Several timber sales were successfully sold without litigation. On one of these projects, the Forest Service redesigned the timber sale with input from the plaintiffs, with the result that the plaintiffs informally agreed not to challenge the redesigned project. This timber sale represented the largest project in volume in the Pilot Project Area in FY 2009.

**Exhibit 5: Volume of Sawlogs & Biomass Sold in the Pilot Project Area (ccf)**



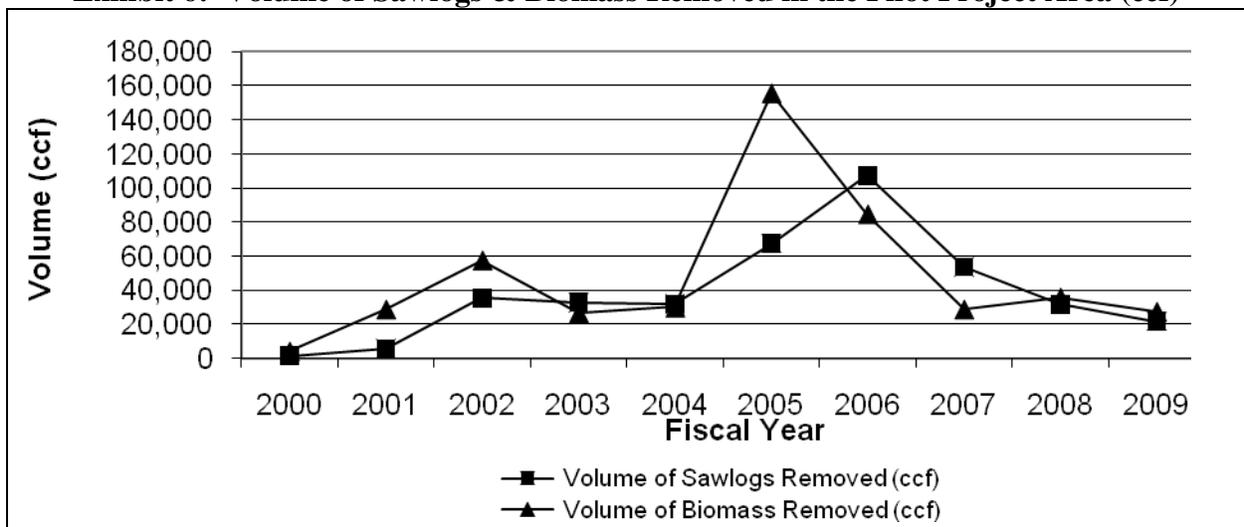
Source: USDA Forest Service, FY 2007 HFQLG Accomplishments, FY 2000-09 Timber Sales Activity Statements

As shown in Exhibit 6 and Table 9, removal activity of sawlogs expanded in both FY 2005 and FY 2006, but declined in FY 2007 through FY 2009. The volume of biomass removed plummeted in FY 2006 and FY 2007, but increased in FY 2008 due to projects treating smaller diameter trees that were not in litigation. (Note that these statistics cover biomass removed from the national forests through timber sales. These statistics do not include incidental amounts of biomass removed through service contracts in the HFQLG Pilot Project Area.)

The volumes of sawlogs and biomass removed declined from FY 2008 to FY 2009 by 31 percent and 23 percent respectively. The total volumes of sawlogs and biomass removed in FY 2009 HFQLG projects were 21,666 CCF (hundred cubic feet) and 27,616 CCF respectively. For the sawlogs removed from the Pilot Project Area, approximately 77 percent were from Lassen National Forest, 8 percent from Plumas National Forest, and 16 percent from Tahoe National Forests. For biomass volume removed the percentages were allocated as follows: Lassen - 85 percent, Plumas – 10 percent, and Tahoe – 5 percent.

This decrease is attributed to the current economic recession. The slumping building and new home construction markets weakened demand and reduced profit margins on these products. As a result, sawlog and biomass contract purchasers, who often have several years to remove timber, may be waiting for improved market conditions to begin projects.

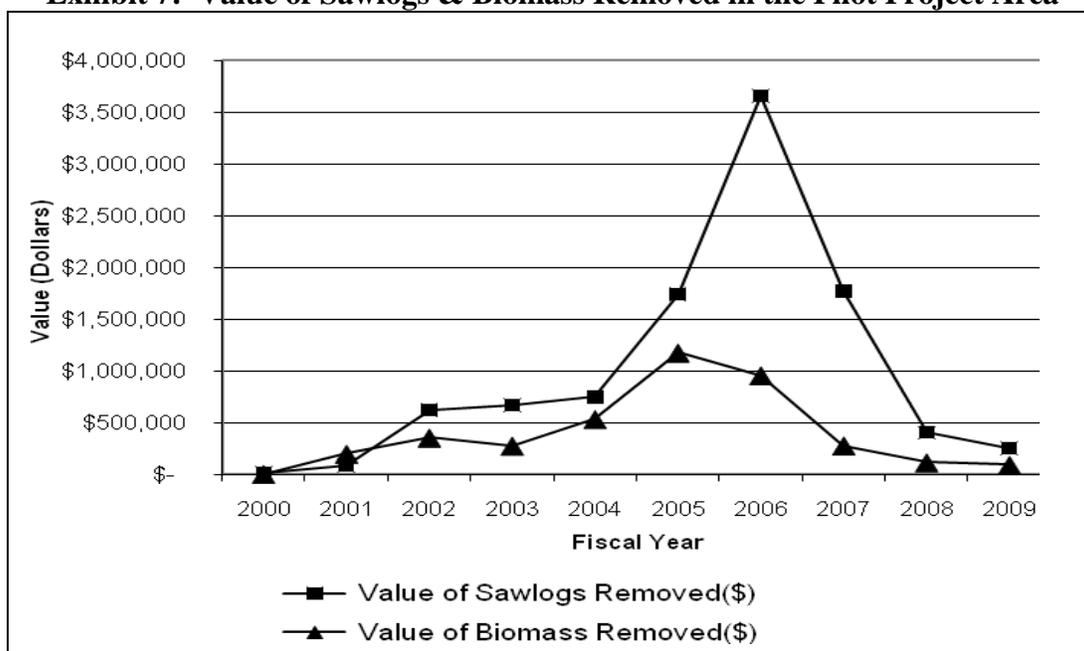
**Exhibit 6: Volume of Sawlogs & Biomass Removed in the Pilot Project Area (ccf)**



Source: USDA Forest Service, HFQLG FY 2000-2009 Timber Sales Activity Statements

As shown in Exhibit 7 and Table 9, the value of sawlogs and biomass removed in the Pilot Project Area decreased for the second year in a row. This decrease in value is attributed to the sharp decline in building construction, which drove down market prices for timber. The total value removed in HFQLG projects in FY 2009 was \$248,188 in sawlogs and \$90,031 in biomass. The value of sawlogs removed in FY 2009 is allocated to the national forests as follows: Lassen – 70 percent, Plumas – 16 percent, and Tahoe – 14 percent.

**Exhibit 7: Value of Sawlogs & Biomass Removed in the Pilot Project Area**



Source: USDA Forest Service, HFQLG FY 2000-2007 Timber Sales Activity Statements

**Table 9: HFQLG Timber Sale Activity – Volume & Value by Type**

Item	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	% Change FY 08 - FY 09
Volume of Sawlogs Sold (ccf)	10,935	35,527	39,938	4,495	30,521	87,983	75,005	57,904	27,718	92,299	233%
Volume of Biomass Sold (ccf)	21,867	71,213	31,993	11,198	47,902	83,359	77,758	68,818	31,777	63,901	101%
Value of Sawlogs Removed(\$)	\$12,933	\$83,981	\$619,057	\$664,594	\$744,918	\$1,740,091	\$3,657,627	\$1,770,445	\$401,487	\$248,188	-38%
Value of Biomass Removed(\$)	\$2,843	\$197,177	\$352,522	\$275,690	\$532,744	\$1,174,285	\$955,394	\$277,936	\$114,633	\$90,031	-21%
Volume of Sawlogs Removed (ccf)	1,410	5,524	35,288	32,811	31,769	67,310	107,230	53,603	31,608	21,666	-31%
Volume of Biomass Removed (ccf)	4,343	28,876	57,592	26,801	30,023	155,460	84,645	28,932	35,930	27,616	-23%

Source: USDA Forest Service, Timber Sales Activity Statements

\* Data represents both 1999 and 2000. The data were combined due to minimal HFQLG timber sale activity in 1999. The abbreviation “ccf” stands for “hundred cubic feet.”

### 3.4 Value of HFQLG Service Contracts

The Pilot Project forests award HFQLG service projects to do planning work (including environmental studies and surveys) and implementation work (including prescribed burns and removal of underbrush). These contracts are awarded to qualified firms located throughout the United States, but mostly in the Sierra Cascade Province. This socioeconomic indicator measures service contract awards by location.

This study classifies service contract awardees into three location categories:

- 1) “**Pilot Project Area**,” defined as firms with mailing addresses located within the Pilot Project Area ZIP Codes or within the Pilot Project forest areas;
- 2) “**Remainder of Sierra Cascade Province Contracting Area**,” defined as firms with mailing addresses located outside of the Pilot Project Area, but within California east of Interstate Highway 5 and north of Interstate Highway 80 (firms in communities that straddle Interstates 5 or 80, such as Weed, Redding, Red Bluff, Sacramento, Roseville, and Truckee are included within the Sierra Cascade Province Contracting Area); and
- 3) “**Other/Non-Local**,” defined as firms with mailing addresses that are not located within the Sierra Cascade Province.

One of the goals of the HFQLG Pilot Project is to sustain the local economy and support community stability by placing an emphasis on awarding contracts to local bidders within the Pilot Project Area. The Forest Service defines “local” as the Sierra Cascade Province Contracting Area, which includes the “Pilot Project Area” and “Remainder of Sierra Cascade Province Contracting Area.” The use of mailing addresses of contract awardees likely undercounts activity that occurs in the local area. The mailing address often is the location of the firm headquarters; payroll and other firm expenditures may occur in the local area. Also, awardees may hire sub-contractors within the local area that are not reflected in these statistics.

#### *Why is it important?*

The dollar value of contracts awarded to firms located in the Pilot Project Area has a greater local economic impact than the value of contracts awarded to firms located elsewhere. Although outside firms may spend money locally on hotels, restaurants, and hired labor, local firms spend much more in payroll, business, and living expenses. Fewer dollars awarded to Pilot Project Area firms will be exported.

#### *How are Pilot Project communities doing?*

As shown in Table 10, the value of service contracts awarded by the HFQLG program increased approximately 33 percent from \$2.59 million in FY 2008 to nearly \$3.45 million in FY 2009. Pilot Project Area firms received contracts for environmental surveys, hauling, fuels reduction, watershed restoration, among other services.

As previously stated, the Forest Service defines “local” as those firms in the Pilot Project Area and the Remainder of the Sierra Cascade Province Contracting Area. The percent share of total contract dollars awarded to local companies in FY 2009 was 70 percent (Pilot Project Area - 22.1 percent plus Sierra Cascade Province Contracting Area – 47.9 percent). Overall (FY 2000 through FY 2009), 65.4 percent of contract value has been awarded to local contractors (Pilot Project Area- 23.8 percent plus Sierra Cascade Province Contracting Area - 41.6 percent). These trends indicate the local economy captures the majority of HFQLG contract dollars. The data indicates the majority of HFQLG contract dollars are captured by local businesses.

**Table 10: Service Contracts, Amount Awarded by Location of Awardees**  
(Millions of Dollars, Rounded)

	FY '00	FY '01	FY '02	FY '03	FY '04	FY '05	FY '06	FY '07	FY '08	FY '09	Cumulative FY 00-09	% Share FY '09	% Share FY 00-09
Pilot Project Area	\$0.287	\$2.680	\$1.457	\$3.883	\$1.502	\$1.793	\$0.676	\$0.217	\$0.514	\$0.763	\$13.771	22.1%	23.8%
Remainder of Sierra Cascade Province	\$0.293	\$7.005	\$3.678	\$1.195	\$4.334	\$2.272	\$1.123	\$0.675	\$1.805	\$1.650	\$24.029	47.9%	41.6%
Other/Non-local	\$0.471	\$4.576	\$1.987	\$3.800	\$3.523	\$2.045	\$1.328	\$0.953	\$0.269	\$1.036	\$19.988	30.0%	34.6%
<b>TOTAL</b>	\$1.051	\$14.261	\$7.122	\$8.878	\$9.359	\$6.109	\$3.126	\$1.846	\$2.588	\$3.449	\$57.789	100%	100%

Source: USDA Forest Service, HFQLG FY 2000 through FY 2009 Contractor Lists.

Table 11 provides information on the number of service contracts awarded to contractors by location. In FY 2009, local contractors were awarded 74 percent all service contracts (Pilot Project Area - 27 percent plus Remainder of Sierra Cascade – 47 percent). Cumulatively, from FY 2000 to FY 2009, local contractors were awarded 63 percent of all service contracts (Pilot Project Area - 22 percent plus Remainder of Sierra Cascade – 41 percent).

**Table 11: Number of Service Contracts by Location of Awardees**

	FY '00*	FY '01	FY '02	FY '03	FY '04	FY '05	FY '06	FY '07	FY '08	FY '09	Cumulative FY 00-09	% Share FY '09	% Share FY 00-09
Pilot Project Area	2	16	19	33	30	23	10	6	6	12	157	27%	22%
Remainder of Sierra Cascade Province	9	65	46	32	50	27	12	13	15	21	290	47%	41%
Other/Non-local	13	52	39	32	37	29	18	13	7	12	252	27%	36%
<b>TOTAL</b>	24	133	104	97	117	79	40	32	28	45	699	100%	100%

\* Data represents both 1999 and 2000. The data were combined due to minimal HFQLG contract activity in 1999.

Source: USDA Forest Service, HFQLG FY 2000 through FY 2009 Contractor Lists.

### 3.5 Electricity Generated From Biomass

Biomass electric power plants combust sawmill woodwaste (hog fuel) and in-forest wood-chipping and residues to generate heat and power for sawmill operations and/or to produce electricity for sale to utility providers. The bio-energy sector consumed almost half of wood residues generated by California's primary wood products industry in 2000.<sup>9</sup>

Nine biomass power plants currently operate in seven Pilot Project Area communities, ranging in size from 7.5 to 35 megawatts (small in comparison to fossil fuel-burning power plants). No plants are located in Greenville and Portola. Spurred by passage of the Public Utilities Regulatory Policy Act of 1978, by standardized purchase power agreements (the California Public Utilities Commission's Interim Standard Offer No. 4) in the early 1980s, and by tightening air quality regulations against disposal of sawmill waste through teepee burners, all nine active biomass plants in the Pilot Project Area went on-line in the 1980s. No new biomass power plants have been built or announced in the Pilot Project Area in the past decade.

The California Energy Commission (CEC) collects data on the amount of electricity generated from biomass that is contributed to the power grid. A state program subsidizes qualified power providers when the wholesale price of electricity is below a certain level. CEC statistics understate actual power generation because plants are not required to report all of their generation to the CEC.<sup>10</sup> The CEC statistics do not include electricity produced at cogeneration facilities that is consumed at neighboring sawmills.

#### *Why is it important?*

The Pilot Project is anticipated to increase woodwaste and in-forest residues (e.g., from thinning projects) available for generation of electricity. The Pilot Project's architects assumed that most woodwaste would be combusted in electricity generation rather than in other uses, such as production of fiberboard. Changes in the amount of electricity generated are indicators of the degree to which implementation of the Pilot Project has increased the amount of biomass.

#### *How are Pilot Project communities doing?*

Exhibit 8 and Table 12 below present the most recent statistics published by the CEC. (Note that the Sierra Pacific power plant in Quincy was contacted directly since the data for 2008 had not been reported to the CEC.<sup>11</sup>) After a drop in 2006, the electric power generation from biomass increased in all Pilot Project Area communities in 2007 except Susanville and Westwood. As discussed below in Section 3.11, the volume of biomass removed under HFQLG contracts declined during FY 2006 and 2007, forcing facilities to expand their "fuel circles" to obtain

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<sup>9</sup> Todd A. Morgan, et al., *California's Forest Products Industry: A Descriptive Analysis* (U.S. Forest Service General Technical Report PNW-GTR-615, July 2004), p. 34.

<sup>10</sup> During parts of 2001, wholesale electricity prices exceeded the threshold price and, therefore, most power plants did not submit their electricity generation statistics to the CEC. This resulted in an artificial drop in reported biomass power generation for 2001.

<sup>11</sup> Interview with Representative of Sierra Pacific Industries' power plant. January 5<sup>th</sup>, 2009.

feedstock from distant locales.<sup>12</sup> In addition, high diesel fuel prices increased the costs of harvesting, processing, and transporting fuel supply for the power plants.<sup>13</sup> However, energy generation recovered in 2008 due to a drop in diesel fuel prices.

According to interviews with plant managers, excess demand for fuel supply is a long-run concern. Several biomass plants are seeking permission from regulators to burn agricultural and urban waste. Some facilities are operating at a loss, but continue to produce power because shutdown is prohibitively costly under their long-term contract obligations to utilities. Early termination of these contracts carries penalties in excess of several million dollars. A forester noted that the market price for woody biomass fuel is \$40 to \$45 per bone dry ton, but his company is spending \$60 per ton in order to obtain adequate fuel supply to satisfy a power contract. More biomass removal is occurring on private lands that are remote or not fully grown.

In Burney, the electricity generated from biomass has increased dramatically since the Pilot Project began in FY 1999-2000, but most of the fuel supply is from private forestlands. Generation capacity at Burney Mountain Power slightly expanded after a boiler was retrofitted with a natural gas co-fire unit in 2000. Ownership of the Burney Forest Products facility changed in early 2006. Diesel fuel prices and low availability of biomass may have contributed to the drop in generated electricity in 2007. The Westwood plant now operates year-round; it previously idled in winter and has been steady in its generation of electricity over the past decade.

As shown in Table 12, electricity generated from biomass increased nearly 36 percent for the Pilot Project Area from 2007 to 2008. Growth is attributed to increased capacity in Chester and Quincy power plants. Electric generation in Chester has exceeded its 1999 peak in 2008 even though the sawmill has produced less woodwaste since its renovation in 2003. In 2009, the Collins Pine Company in Chester underwent a public hearing process required to renew its waste discharge requirements.<sup>14</sup> The biomass power plant in Quincy, operated by Sierra Pacific Industries, increased electricity generation over 100 percent from 2007 to 2008. According to a company representative, the power plant became fully operational and had been receiving fuel supplies from two log sawmills operated by company.<sup>15</sup> However, a decrease in electricity generation from this plant is expected materialize in next year's CEC data release because Sierra Pacific's small-log sawmill operation in Quincy, a key feedstock provider for the plant, closed in early 2009.

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<sup>12</sup> Note that the year is defined as January through December for power generation versus October through September for volume of biomass removed.

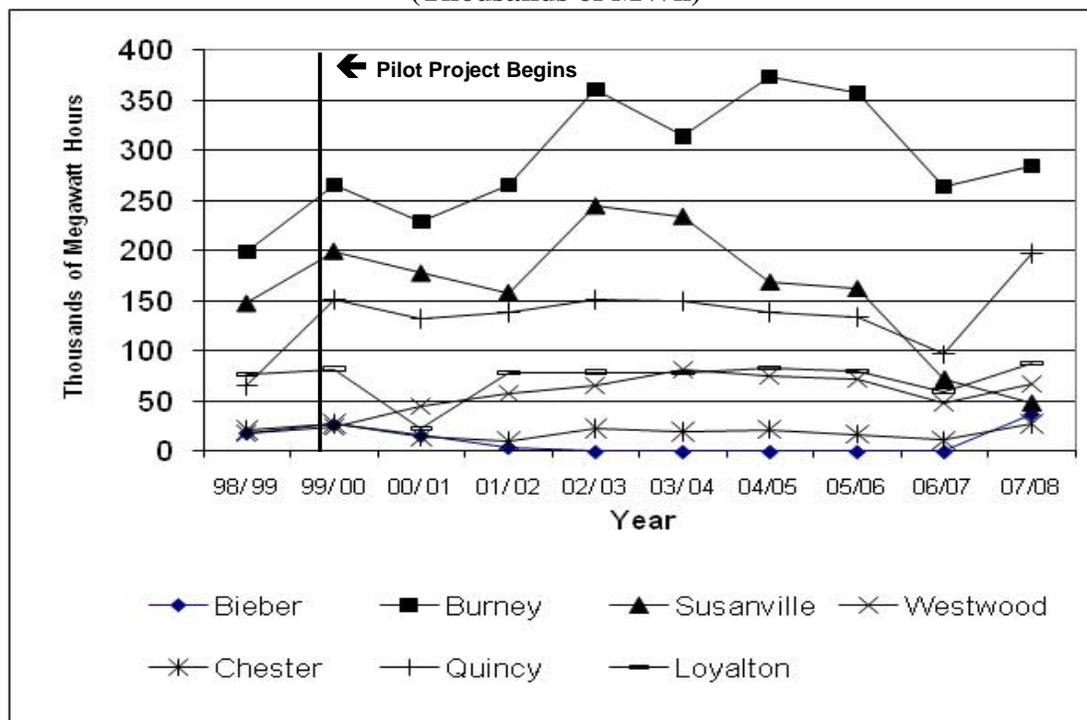
<sup>13</sup> The retail price of diesel fuel in California rose 40 percent from 2004 to 2006, from \$2.09 per gallon to \$2.92 per gallon. U.S. Department of Energy, Energy Information Administration, *Monthly U.S. On-Highway Diesel Fuel Prices* (twelve-month average).

<sup>14</sup> California Regional Water Quality Board Public Hearing Announcement. February 2009.

[http://www.swrcb.ca.gov/rwqcb5/board\\_decisions/tentative\\_orders/0902/collinspine/collinspine\\_noph.pdf](http://www.swrcb.ca.gov/rwqcb5/board_decisions/tentative_orders/0902/collinspine/collinspine_noph.pdf)

<sup>15</sup> Interview with Representative of Sierra Pacific Industries' power plant. January 5<sup>th</sup>, 2010.

**Exhibit 8: Electricity Generated from Biomass  
(Thousands of MWh)**



**Table 12: Electricity Generated from Biomass  
(Thousands of MWh)**

Community	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	% Change 2007 to 2008
Bieber*	12.9	27.0	21.6	5.2	0.0	0.0	0.0	8.2	24.3	0.0	37.2	-
Burney	163.3	259.0	245.7	193.8	400.0	296.5	370.2	368.1	357.6	263.8	284.6	7.9%
Susanville	109.1	190.7	191.1	130.1	241.4	240.7	189.3	163.3	145.6	72.7	48.8	-32.9%
Westwood	24.5	24.7	44.6	28.7	73.4	73.7	76.3	77.5	69.8	48.0	67.1	39.6%
Chester	21.1	26.7	18.4	9.9	20.0	17.1	20.8	22.7	14.5	11.0	27.7	151.7%
Quincy	48.5	136.4	152.4	107.3	159.4	153.7	142.0	138.6	130.7	96.6	197.2	104.1%
Loyalton	46.5	82.7	53.1	46.8	83.3	79.9	80.9	83.3	84.3	59.9	87.8	46.6%
<b>Pilot Project Area Total</b>	<b>425.9</b>	<b>747.2</b>	<b>726.7</b>	<b>521.9</b>	<b>977.4</b>	<b>861.6</b>	<b>879.5</b>	<b>861.8</b>	<b>826.9</b>	<b>552.0</b>	<b>750.3</b>	<b>35.9%</b>

Sources: California Energy Commission, Big Valley Power, Collins Pine, Sierra Pacific Industries

\*Data for Bieber for 2005 and 2006 are gross power production, not net sales to power grid.

The decline in generated energy in Susanville since 2003 is due mostly to closure of the Sierra Pacific sawmill and cogeneration plant in 2004. HL Power in the Susanville area lost a month of production in 2006 due to a turbine overhaul. Furthermore, a 13 MWh power plant has been idle,

explaining the drop in electricity generation in 2007 and 2008.<sup>16</sup> This plant, however; has been acquired by Renegy in November 2007 and is expected to become fully operational in 2010.

Although three Pilot Project Area sawmills closed in 2001, their cogeneration plants remain in operation. The power plant in Bieber closed along with the sawmill in 2001, but was re-activated as Big Valley Power in June 2005. Big Valley Power briefly closed due to low lumber prices in the economy in 2007 but re-opened with increased production in 2008.<sup>17</sup> Its primary fuel supply is the Big Valley Sustained Yield Unit of the Modoc National Forest. Loyalton's sawmill has been dismantled, but the power plant remains in operation and supplies the Nevada-based Sierra Pacific Power Company. Generation at the Loyalton plant has been relatively stable since 2002, although a decrease occurred from 2006 to 2007 due to low availability of biomass and high diesel fuel prices as mentioned earlier. The increase from 2007 to 2008 is explained by the acquisition of a 20-megawatt ("MW") biomass power plant from Sierra Pacific Industries by Renegy, a renewable energy company focused on acquiring, developing and operating a growing portfolio of biomass to electricity power generation facilities.<sup>18</sup>

### 3.6 Jobs in Locally-Owned Businesses

Locally-owned businesses help keep dollars circulating within the community since business owners are residents and residents tend to spend locally. Examining the mix of business ownership and shares of employment between locally- and non-locally-owned businesses provides a good indicator of the economic health of the Pilot Project Area communities.

For this indicator, a locally-owned business is defined as single location or a headquarters operating within the Pilot Project Area. Establishment data was compiled for the manufacturing sector and for the retail/service sector. Upon consultation with Forest Service staff, this study categorized Sierra Pacific Industries and Collins Pine as locally-owned because much of the management of individual facilities is based locally and a majority of their sales dollars are spent in the communities in which their sawmills are located.

The tables below contain business establishment data collected and maintained by Dun & Bradstreet (D&B), a financial analysis company. The D&B database provides information on the location of a business and whether the business is a single operation, a headquarters, or a branch location. D&B data is collected by aggregating available public records, phone and mail surveys, and information submitted and updated by businesses. D&B releases its database in the fourth quarter of each year. Data presented here were published in October 2009. However, changes in the current business environment may take up to one year to appear in D&B's data. As a result, this data is likely to only reflect changes up to 2008.

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<sup>16</sup> Renegy Project-Susanville. [http://www.renegy.com/project\\_susanville.html](http://www.renegy.com/project_susanville.html)

<sup>17</sup> Big Valley Power Cogeneration Plant, 2008 Press Release.  
<http://www.bigvalleynews.net/BigValleyPower/2008/PowerPlanOnLine.html>

<sup>18</sup>Globe Newswire Renegy. <http://www.globenewswire.com/newsroom/news.html?d=140017>

**Why is it important?**

In most cases, the revenue from branch locations is often transferred to a business' headquarters before being spent, producing little benefit to the local economy. Data for the manufacturing sector represents the potential impact of increased forest product industry activity. In the Pilot Project Area, most forest product jobs are in manufacturing, and most manufacturing jobs are in the forest product sector. The retail/service sector represents the potential impact of increased tourism. With forest products business dominating manufacturing activities, growth in this sector has more potential to impact the local economy than the retail and service sector, which is composed of tourism-related businesses.

**How are Pilot Project communities doing?**

As seen in the tables below, from 1998 to 2008, the percentage of workers employed by locally-owned businesses in the manufacturing sector increased in all communities within the Pilot Project Area except Susanville. This shift in jobs in the manufacturing sector to locally-owned businesses indicates growth in the local economy since wages in the manufacturing industry are higher than the retail and services industries. In contrast, the retail and services sector in most Pilot Project Area communities exhibit a decrease in the percentage of workers employed by locally owned businesses from 1998 to 2008.

**Table 13: Percent of Manufacturing Workers Employed by Locally-Owned Businesses**

	1998	2005	2006	2007	2008
Bieber	96.8	100.0	100.0	100.0	100.0
Burney	100.0	100.0	100.0	100.0	100.0
Susanville	92.6	100.0	90.9	93.6	81.9
Westwood	91.1	100.0	100.0	100.0	100.0
Chester	95.5	90.9	99.0	99.0	99.0
Greenville	92.9	100.0	95.6	95.2	96.3
Quincy	96.4	91.7	100.0	100.0	100.0
Portola	82.5	92.9	85.7	86.2	86.9
Loyalton	96.4	100.0	100.0	100.0	100.0
Source: Dun and Bradstreet (4 <sup>th</sup> Qtr. 1998, 2006, 2007, 2008) Data compiled by Center for Economic Development, CSU Chico					

**Table 14: Percent of Retail and Service Workers Employed by Locally-Owned Businesses**

	1998	2005	2006	2007	2008
Bieber	91.5	100.0	99.1	99.1	79.5
Burney	67.2	65.7	69.5	66.6	66.1
Susanville	71.5	66.1	76.5	71.2	69.6
Westwood	84.5	77.2	78.3	80.5	79.2
Chester	77.8	82.3	73.7	72.1	70.9
Greenville	89.1	84.0	76.5	78.0	78.8
Quincy	80.5	81.7	77.1	75.2	75.7
Portola	80.8	84.6	89.6	89.7	89.3
Loyalton	82.7	76.9	89.5	83.9	79.9
Source: Dun and Bradstreet (4 <sup>th</sup> Qtr. 1998, 2006, 2007, 2008) Data compiled by Center for Economic Development, CSU Chico					

### 3.7 Establishments by Years in Business

The following data were collected from the D&B database by the research staff at the Center for Economic Development at Chico State University. The D&B database includes information on the year during which an establishment began operating and how long it has been in business. D&B categorizes businesses by age: 1) less than five years old, 2) five to 15 years old and 3) more than 15 years old.

As previously stated, D&B collects data from available public records, survey results, and information submitted and updated by businesses. Data presented here is from the October 2009 database update. This data, though released in 2009, is likely to only reflect changes up to 2008 because changes in the business sector may take up to one year to be recorded.

#### *Why is it important?*

Business age statistics illustrate two points. First, increasing numbers of new businesses indicate a growing economy with positive activity in business investment. Second, for an economically isolated region such as the Pilot Project Area, decreasing numbers of established businesses can signify a loss of local support for existing businesses or increased competition from new businesses.

#### *How are Pilot Project communities doing?*

Table 15 presents D&B data from 1998 to 2008. While the data shows an increase in the number of number of business establishments 0 to 5 and 6 to 15 year old from 1998 to 2008, it may be too early to make a definitive conclusion about the Pilot Project's impact. According to CED researchers, who have used D&B's annual data releases over 12 years, the recent growth in the 0 to 5 and 6 to 15 year old age brackets is artificial. Similar growth is not occurring in the 15+ year old age bracket. D&B's recent collection initiative explains the significant increases in the number of Pilot Project Area businesses in these two age brackets.

In 2005, the D&B began to aggressively identify, contact and record business establishment data in order to improve the accuracy and marketability of their database. (Banking, marketing and private investment firms regularly use this data.) Previously, businesses self-registered for a D&B number and their information was compiled into the database. After several years of additional surveying and data collection by D&B staff, CED researchers now believe the D&B database has met as close to 100 percent coverage as possible. Therefore, an analysis of the overall impact of the Pilot Project on the number of business establishments will need to wait until several years of more consistent data are collected.

Despite the data quality issue concerning younger businesses, statistics on establishments open 15 or more years is more reliable as it is consistent over the study period. This is because older businesses are more likely to have maintained a D&B record since these records are routinely required for additional credit and loan applications. The less than 1 percent decrease in the total number of firms open 15 or more years may be an indicator of the start of the recession's impact on the local economy.

**Table 15: Number of Pilot Project Area Establishments by Age Bracket**

	0 to 5 Years					6 to 15 Years					15 or More Years				
	1998	2005	2006	2007	2008	1998	2005	2006	2007	2008	1998	2005	2006	2007	2008
<b>Bieber</b>	5	1	4	5	16	19	5	9	6	12	33	21	50	52	52
<b>Burney</b>	63	21	31	38	103	84	40	78	75	96	135	104	184	171	186
<b>Susanville</b>	102	47	58	75	182	180	129	148	135	192	187	228	281	278	283
<b>Westwood</b>	24	18	24	25	81	43	46	41	36	60	53	67	85	65	69
<b>Chester</b>	38	22	21	18	66	60	57	55	43	48	61	76	64	88	85
<b>Greenville</b>	16	9	15	18	39	37	16	24	24	32	40	37	59	60	57
<b>Quincy</b>	64	34	37	33	99	104	78	79	73	97	148	160	176	184	184
<b>Portola</b>	73	32	37	21	123	115	45	79	84	93	85	92	156	155	139
<b>Loyalton</b>	12	5	8	8	12	23	6	15	13	15	35	27	47	47	37
<b>TOTAL</b>	<b>397</b>	<b>189</b>	<b>235</b>	<b>241</b>	<b>721</b>	<b>665</b>	<b>422</b>	<b>528</b>	<b>489</b>	<b>645</b>	<b>777</b>	<b>812</b>	<b>1,102</b>	<b>1,100</b>	<b>1,092</b>

Source: Dun & Bradstreet data compiled annually by CSU Chico, Center for Economic Development

### 3.8 Lodging Revenue

Lodging revenue is a measure of the degree to which tourism is increasing or decreasing in a region. Lodging is purchased for a number of reasons, including business and family visits, temporary work and recreation. Lodging for family visits usually changes little from year to year. Lodging for temporary work increases when a large, short-term source of employment exists, such as a major construction project or a major forest fire.

Most California jurisdictions impose a transient occupancy tax (TOT) on lodging for up to 30 days. Within the Pilot Project Area, the TOT rate varies from zero to ten percent of lodging value (the City of Loyalton presently does not have a TOT). The scope of the TOT, commonly known as the “bed tax” or “hotel tax,” differs across jurisdictions. Some jurisdictions impose the TOT only on hotel/motel rooms (e.g., Tehama County), while others also levy the TOT on vacation homes, lodges, cabins, resorts and ranches, campgrounds, and recreational vehicle spaces (e.g., Plumas County). In some jurisdictions, the TOT also is collected at campgrounds operated directly by the Forest Service.

Study staff compiled localized TOT revenue data from tax collector offices in Modoc, Lassen, Plumas, Shasta, Sierra, and Tehama counties and in the cities of Susanville and Portola. Data are for fiscal years (July through June) for all jurisdictions except for Plumas County, which only reports localized TOT data on a calendar year basis. Study staff used this data and the relevant TOT rates to estimate lodging revenue in the nine Pilot Project communities. TOT revenue data per county or city make up nine to ten percent (TOT rates vary for each jurisdiction) of total lodging revenue for each area. Occasionally, the TOT data collected by the tax collector offices of each city and/or county need to be aggregated in order to develop an estimate of lodging revenue that covers the entirety of a Pilot Project Area community. Estimates were deflated to FY 2008-2009 dollars using the U.S. Bureau of Labor Statistics, Consumer Price Index (All Urban Consumers).

**Why is it important?**

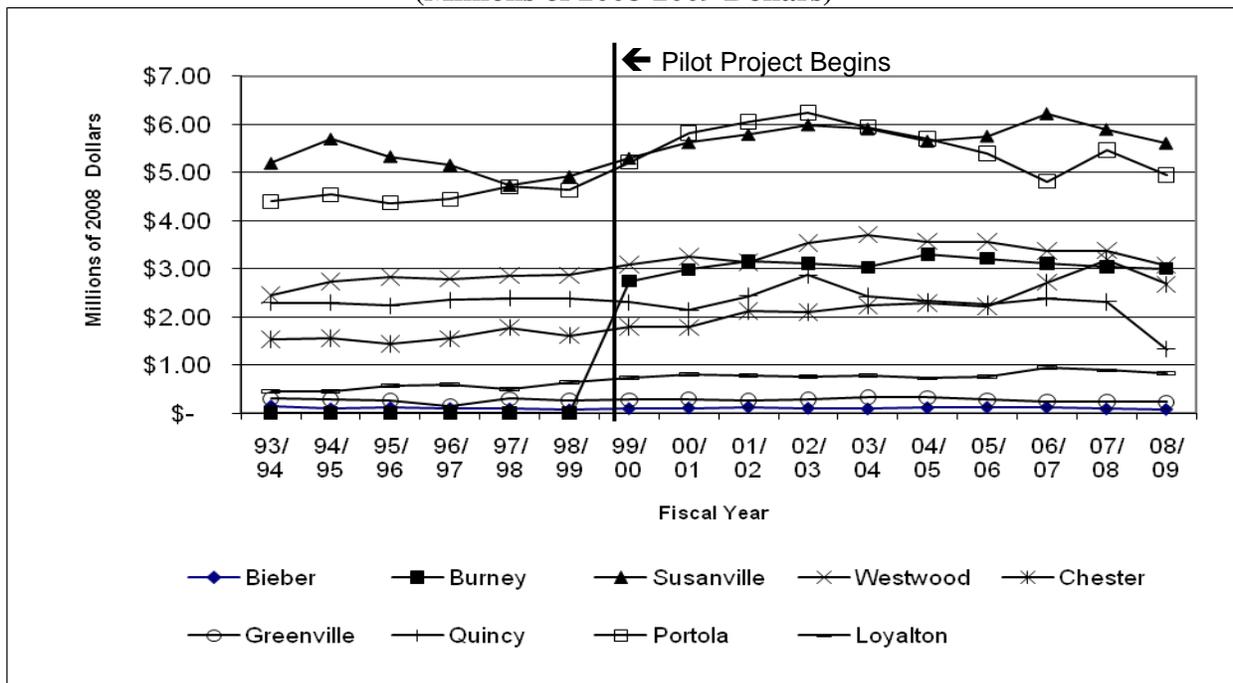
Increasing revenue from lodging, if temporary work and family visits can be discounted, is a direct result of increasing tourism. Tourism that utilizes lodging is important because, unlike day trips, overnight stays often involve additional purchases such as meals and entertainment.

**How are Pilot Project communities doing?**

Adjusted for inflation, lodging revenue has been stable in most Pilot Project Area communities, as demonstrated in Exhibit 9 and Table 16. Three communities show an overall upward trend with some fluctuations since the start of the Pilot Project in 1999: Susanville, Westwood and Chester. The Burney area’s accommodation industry declined slightly in FY 2007-08. McArthur Burney Falls, Lassen Volcanic National Park, and Lassen National Forest are major attractions. In FY 2008-2009 two lodges, the Sleepy Hollow Lodge and a lodge located near Clark Creek, went on sale and are currently not operational, explaining the continued decrease in lodging revenue in Burney.

With the weak economy of late 2007 and the recession starting in December 2007, lodging revenue as indicated by decreased TOT revenue collection declined in every quarter in all the Pilot Project Areas. Lodging revenue decreased by 11.44 percent in FY 2008-2009 over the previous fiscal year when measured in constant dollars. This decline correlates to an economy-wide decline. According to the Center for Continuing Study of the California Economy (CCSCE), California economic growth started to slow in 2007 along with that of the U.S. economy.

**Exhibit 9: Lodging Revenue Subject to Transient Occupancy Tax  
(Millions of 2008-2009 Dollars)**



**Table 16: Lodging Revenue Subject to Transient Occupancy Tax  
(Millions of 2008-2009 Dollars)**

Community	93/94	94/95	95/96	96/97	97/98	98/99	99/00	00/01	01/02	02/03	03/04	04/05	05/06	06/07	07/08	08/09	% Change 07/08 to 08/09
<b>Bieber</b>	\$0.15	\$0.09	\$0.11	\$0.10	\$0.09	\$0.07	\$0.09	\$0.11	\$0.13	\$0.10	\$0.09	\$0.11	\$0.12	\$0.12	\$0.09	\$0.08	<b>-6.13%</b>
<b>Burney</b>	N/A	N/A	N/A	N/A	N/A	N/A	\$2.74	\$2.99	\$3.16	\$3.11	\$3.03	\$3.30	\$3.21	\$3.11	\$3.04	\$3.00	<b>-1.14%</b>
<b>Susanville</b>	\$5.20	\$5.69	\$5.33	\$5.16	\$4.74	\$4.93	\$5.30	\$5.62	\$5.79	\$5.99	\$5.90	\$5.65	\$5.75	\$6.22	\$5.89	\$5.51	<b>-6.47%</b>
<b>Westwood</b>	\$2.45	\$2.74	\$2.83	\$2.79	\$2.86	\$2.86	\$3.09	\$3.24	\$3.13	\$3.53	\$3.71	\$3.57	\$3.56	\$3.36	\$3.38	\$3.07	<b>-9.11%</b>
<b>Chester</b>	\$1.53	\$1.56	\$1.44	\$1.55	\$1.78	\$1.62	\$1.80	\$1.78	\$2.13	\$2.09	\$2.23	\$2.29	\$2.22	\$2.72	\$3.19	\$2.68	<b>-16.12%</b>
<b>Greenville</b>	\$0.30	\$0.28	\$0.27	\$0.16	\$0.30	\$0.27	\$0.28	\$0.29	\$0.27	\$0.29	\$0.33	\$0.32	\$0.28	\$0.25	\$0.24	\$0.23	<b>-2.11%</b>
<b>Quincy</b>	\$2.30	\$2.30	\$2.23	\$2.35	\$2.39	\$2.37	\$2.30	\$2.13	\$2.43	\$2.86	\$2.42	\$2.32	\$2.27	\$2.39	\$2.32	\$1.33	<b>-42.45%</b>
<b>Portola</b>	\$4.40	\$4.54	\$4.36	\$4.44	\$4.70	\$4.63	\$5.21	\$5.81	\$6.05	\$6.24	\$5.94	\$5.70	\$5.39	\$4.81	\$5.46	\$4.95	<b>-9.41%</b>
<b>Loyalton</b>	\$0.46	\$0.46	\$0.58	\$0.59	\$0.49	\$0.63	\$0.74	\$0.80	\$0.78	\$0.76	\$0.79	\$0.72	\$0.75	\$0.95	\$0.89	\$0.83	<b>-6.09%</b>
<b>Pilot Project Area</b>	N/A	N/A	N/A	N/A	N/A	N/A	\$21.55	\$22.78	\$23.86	\$24.96	\$24.45	\$23.99	\$23.55	\$23.92	\$24.49	\$21.69	<b>-11.44%</b>

Source: Data collected annually from City and County Tax Collector Offices

The mainstays of Susanville's lodging industry are travelers on U.S. Highway 395 and visitors to inmates at three local prisons (two state and one federal). Peaks in lodging revenue are attributable to housing of non-local construction workers on major projects: High Desert State Prison was completed in August 1995 and expanded in the early 2000s, Banner Lassen Medical Center opened in May 2003, and the federal prison in Herlong opened in early 2005. According to a local motel owner, the rise of Indian gaming in communities throughout the western United States has decreased lodging in Susanville. Before the existence of Indian casinos, many tourists from the Pacific Northwest en route to Reno on U.S. Highway 395 stayed overnight in Susanville. The Indian casino near Susanville opened a 70-room hotel in September 2008.

Lodging revenues in Westwood and Chester have expanded significantly since FY 1998-99 as Lake Almanor has become an increasingly popular vacation destination. Plumas County's first "chain" hotel opened in Chester in early 2006 and overall Chester provides modestly priced accommodations compared to its surrounding areas. The lodging industry in Westwood proper is minimal; most of the lodging activity associated with that community occurs at vacation rental homes and resorts/ranches in the Lake Almanor area. TOT revenues in the Westwood area now are decreasing because lakeside resorts (such as Lassen View and Little Norway) are being converted to condominiums.

Since implementation of the Pilot Project, lodging revenues in Greenville and Quincy have remained stable. However, Quincy's lodging revenue dropped significantly in 08/09 because Woody's Feather River Hot Springs, a popular resort with cabins and hot tubs supplied with natural hot spring water, recently closed.

Considered the economic and service hub for eastern Plumas County, the City of Portola's commercial core includes banks, real estate offices, shopping, restaurants, lodging, and services, which serve both visitors to the community and local residents. The community is also expanding. Based on its close proximity to Lake Davis and the Plumas National Forest, the local economy, including the economy of the City of Portola, depends extensively on recreation and

tourism. The lodging industry in the Portola area has fluctuated since implementation of the Pilot Project. Rental of private vacation homes is a big business in the Mohawk section of the Portola area. New resorts, golf courses, and other major tourist- and vacationer-oriented projects have been completed in recent years, especially in the Graeagle/Lakes Basin section of the Portola area. Lodging revenue for the Portola area declined in 2005 and 2006 because a major facility in Blairsden (Feather River Inn) changed ownership and closed for renovation. Lodging revenue increased from 06/07 to 07/08; however, lodging revenue decreased from 07/08 to 08/09 even though all major facilities in and around Portola are open year-round.

Lodging in the Loyalton/Sierra Valley area consists of hotels/motels in Sierra County and trailer/mobile home parks in Plumas County, especially at Frenchman Lake. Data from the City of Loyalton, which is the largest city in Sierra County, are not included in the table because that jurisdiction does not levy a TOT.

### **3.9 Retail Business Activity**

Sales tax is imposed on most sales transactions in California. It is levied on the gross receipts of retailers from the sale of tangible personal property. The tax also applies to some rental transactions and many occasional and nonrecurring sales by persons who otherwise would not be regarded as “retailers.” Food products (e.g., unprepared food purchased at grocery stores) and lodging, among other items, are exempt. (However, lodging is subject to the transient occupancy tax in most jurisdictions.) The State Board of Equalization (BOE) publishes taxable sales data at the county and city levels each calendar year. The table below presents data for 2007, which is the most recent data available. Data is adjusted to 2007 dollars with the BOE’s Taxable Sales Deflator Index.

#### ***Why is it important?***

Taxable transactions are an indicator of personal and business consumption in a given jurisdiction. As economic activity in an area increases, residents and businesses increase their purchases of tangible personal property that are subject to sales tax. As the economy contracts, taxable transactions decrease or expand more slowly. However, taxable transactions are an imperfect measure of consumption in the Pilot Project Area because residents and business agents tend to travel to retail outlets in the Sacramento Valley and Reno area to purchase “big ticket” items (e.g., motor vehicles) and for shopping excursions.

#### ***How are Pilot Project communities doing?***

With the weak economy of late 2007 and the recession starting in December 2007, taxable sales declined in every quarter in all Pilot Project Area communities. As show in Table 17, from 2006 to 2007 taxable sales transactions in the Pilot Project Area declined greater than that of California. Taxable sales at the state level decreased by 1.62 percent compared to a 5.22 percent decline for the Project Area from 2006 to 2007 when measured in constant dollars. The BOE’s Taxable Sales Deflator, an index that tracks price changes only for commodities subject to the

sales and use tax, showed annual inflation of 1.9 percent<sup>19</sup>. During 2007, the population declined in Sierra County at a rate of 1.5 percent.<sup>20</sup> Furthermore, unemployment increased from 7.6 to 8.2 percent<sup>21</sup>, possibly influencing the 9.6 percent drop in taxable sales.

**Table 17: Taxable Sales in the Study Area (Total All Outlets)  
(Millions of 2007 Dollars)\***

Area	1999	2000	2001	2002	2003	2004	2005	2006	2007	% Change 2006 to 2007
Lassen County	\$225.6	\$234.8	\$240.7	\$259.4	\$267.7	\$272.4	\$290.9	\$291.9	\$279.9	-4.12%
Susanville City	\$121.3	\$130.5	\$128.7	\$134.5	\$137.1	\$137.4	\$141.5	\$142.5	\$139.6	-2.03%
Plumas County	\$182.0	\$198.9	\$205.1	\$216.4	\$217.1	\$236.3	\$249.2	\$257.8	\$238.1	-7.63%
Portola City	\$14.0	\$15.8	\$15.3	\$15.2	\$16.3	\$17.6	\$17.5	\$19.8	\$18.6	-6.11%
Sierra County	\$21.6	\$21.3	\$21.8	\$26.4	\$22.4	\$24.3	\$26.5	\$26.5	\$24.0	-9.60%
Loyalton City	\$5.4	\$6.3	\$6.3	\$6.9	\$5.5	\$6.7	\$6.8	\$7.6	\$7.0	-8.01%
<b>California</b>	<b>\$427,185.5</b>	<b>\$469,077.6</b>	<b>\$469,282.7</b>	<b>\$473,838.3</b>	<b>\$494,692.9</b>	<b>\$529,701.2</b>	<b>\$556,501.7</b>	<b>\$570,285.8</b>	<b>\$561,050.1</b>	<b>-1.62%</b>

Source: California State Board of Equalization. Data for counties include cities therein.

\*Tax data was adjusted to 2007 dollars using BOE's Taxable Sales Deflator Index

<sup>19</sup> California Board of Equalization, FY 2007-2008 Annual Report, June 2009.  
<http://www.boe.ca.gov/annual/pdf/2008/8-economic08.pdf>

<sup>20</sup> California Department of Transportation, Sierra County Economic Forecast 2008.  
[http://www.dot.ca.gov/hq/tpp/offices/ote/socio-economic\\_files/2008/Sierra.pdf](http://www.dot.ca.gov/hq/tpp/offices/ote/socio-economic_files/2008/Sierra.pdf)

<sup>21</sup> Ibid

### 3.10 Youth Education

Youth education is measured in this report using high school dropout rates, which are calculated by dividing the number of dropouts by total enrollment in grades nine through 12. Statistics on high school dropouts are published annually by the California Department of Education. Due to the small size of the communities a few student dropouts have the potential to significantly skew year-to-year percent changes. Therefore, a three-year moving average was calculated to more reasonably portray youth education trends in the study area. Data points were calculated by averaging the percentage dropout rate for the selected school year, the year before and the year after. Beginning with the 2006-07 school year, the Department of Education substantially revised the methodology for calculating dropout rates. Consequently, dropout rates had the appearance of doubling that year in many California communities, thereby increasing the three-year average shown for “2005/06.” As a result, statistics for “2005/06” are not directly comparable to earlier three-year averages.

#### *Why is it important?*

High school students who drop out have fewer opportunities for employment and social advancement. Higher dropout rates indicate a young population that is less prepared to enter the workforce and a community that is less prepared to capture local economic impact because fewer local educated workers are qualified to accept new jobs.

#### *How are Pilot Project communities doing?*

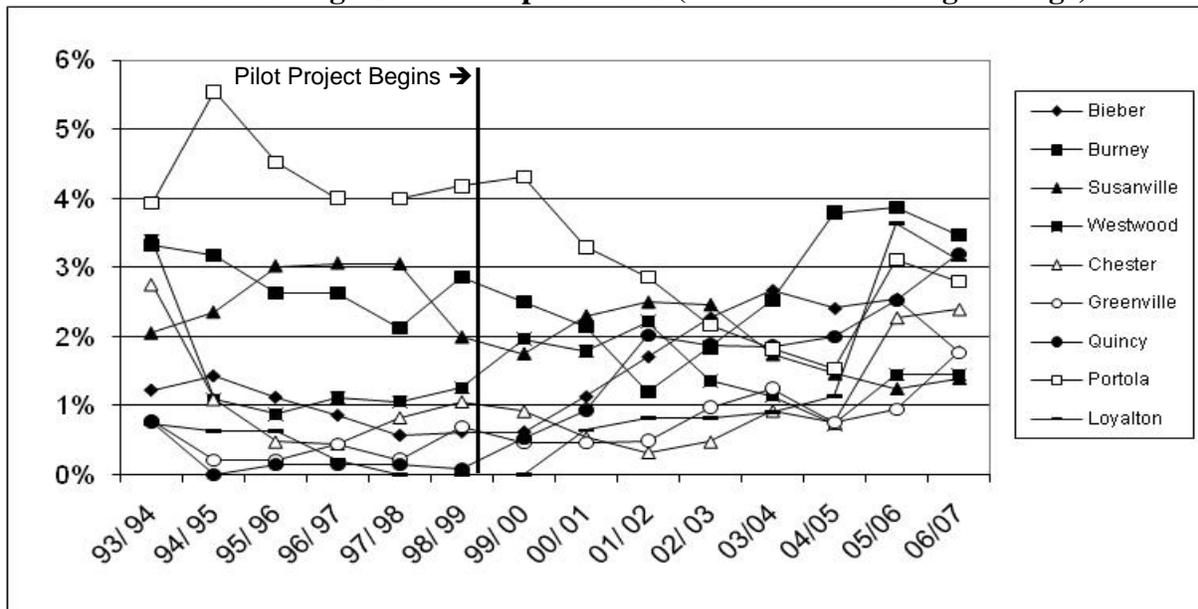
Research shows little statistical connection between implementation of the Pilot Project and youth education. There is also no single reason why students drop out of high school. Educational researchers for the Bill and Melinda Gates Foundation cited several different reasons including: a lack of connection to the school environment; a perception that school is boring; feeling unmotivated; academic challenges; and the weight of real world events<sup>22</sup>. Attendance issues are also often listed as the reason for a student's decision to drop out.

As shown in the exhibit below, high school dropout rates have remained relatively stable across all nine communities. High school enrollment in these communities is small, ranging from 100 to 1,200 students. The addition or loss of one student significantly affects the dropout rate. Loyalton's increased dropout rate in 2005/06 is mostly due to major student turnover at a continuation high school (250 percent dropout rate) and is beginning to decrease in 06/07. Chester's dropout rate only increased slightly in 05/06, although Chester had experienced a larger increase from 04/05 to 05/06. Susanville's dropout rate actually has decreased since the closure of the community's last sawmill in 2004 and remained stable since then. Greenville has doubled its dropout rate from 05/06 to 06/07 and the dropout rate in Quincy has also increased more than in the other Pilot Project Areas. The areas of Bieber, Burney and Portola all experienced a decrease in dropouts in 06/07. Westwood remained constant with a dropout rate of 1.4 percent.

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<sup>22</sup> Bill & Melinda Gates Foundation, *The Silent Epidemic: Perspectives of High School Dropouts*, March 2006. <http://www.civicenterprises.net/pdfs/thesilentepidemic3-06.pdf>

**Exhibit 10: High School Dropout Rates (Three-Year Moving Average)**



**Table 18: High School Dropout Rates (Three-Year Moving Average)**

	93/94	94/95	95/96	96/97	97/98	98/99	99/00	00/01	01/02	02/03	03/04	04/05	05/06	06/07
<b>Bieber</b>	1.2%	1.4%	1.1%	0.9%	0.6%	0.6%	0.6%	1.1%	1.7%	2.3%	2.7%	2.4%	2.6%	1.8%
<b>Burney</b>	3.3%	3.2%	2.6%	2.6%	2.1%	2.9%	2.5%	2.1%	1.2%	1.8%	2.5%	3.8%	3.9%	3.5%
<b>Susanville</b>	2.1%	2.4%	3.0%	3.1%	3.0%	2.0%	1.8%	2.3%	2.5%	2.5%	1.7%	1.5%	1.3%	1.4%
<b>Westwood</b>	3.4%	1.1%	0.9%	1.1%	1.1%	1.3%	2.0%	1.8%	2.2%	1.4%	1.1%	0.7%	1.4%	1.4%
<b>Chester</b>	2.7%	1.1%	0.5%	0.5%	0.8%	1.1%	0.9%	0.5%	0.3%	0.5%	0.9%	0.7%	2.3%	2.4%
<b>Greenville</b>	0.8%	0.2%	0.2%	0.4%	0.2%	0.7%	0.5%	0.5%	0.5%	1.0%	1.3%	0.8%	0.9%	1.8%
<b>Quincy</b>	0.8%	0.0%	0.1%	0.1%	0.1%	0.1%	0.5%	0.9%	2.0%	1.9%	1.9%	2.0%	2.5%	3.2%
<b>Portola</b>	3.9%	5.5%	4.5%	4.0%	4.0%	4.2%	4.3%	3.3%	2.9%	2.2%	1.8%	1.5%	3.1%	2.8%
<b>Loyalton</b>	0.7%	0.6%	0.6%	0.2%	0.0%	0.0%	0.0%	0.6%	0.8%	0.8%	0.9%	1.1%	3.6%	3.1%

Source: California Department of Education, California Basic Educational Data System, and Annual Reported Data 1992 though 2007.

It should be noted that in the 2001/02 through 2005/06 school years, the Westwood Charter School primarily served students in other parts of the state. The school received contracts to educate at-risk youth and former dropouts in San Diego, Los Angeles, Sacramento, and other urban areas. Data for this school were omitted because the majority of the school’s students resided outside the Pilot Project Area. According to the Superintendent of the Westwood Unified School District, the District undertook this arrangement to compensate for declining local enrollment and funding.

### 3.11 Family Poverty

Family poverty is measured in this report with enrollment rates in free and reduced-price breakfast and lunch programs. Enrollment figures for these programs are available for all public schools in the Pilot Project Area from the California Department of Education (CDE). To participate, families must claim income eligibility. In accordance with the National School Lunch Act and the Child Nutrition Act of 1966, the USDA Food and Nutrition Service establishes eligibility guidelines. These guidelines, which vary by household size, are set using poverty standards developed by the U.S. Census and are adjusted annually. The table below provides a snapshot of eligibility guidelines in effect for the 2008-2009 school year.

**Table 19: USDA Free & Reduced Lunch Eligibility Guidelines  
(2008-2009 School Year)**

Household Size	Income Ceiling	
	Reduced Lunch	Free Lunch
1	\$19,240	\$13,520
2	\$25,900	\$18,200
3	\$32,560	\$22,880
4	\$39,220	\$27,560
Source: USDA National School Lunch Program		

Study staff collected CDE data on total enrollment and free and reduced lunch program participation for schools located in the Pilot Project Area communities. Percentages plotted in Exhibit 11 were calculated by dividing the number of free/reduced program participants by the total number of enrolled students.

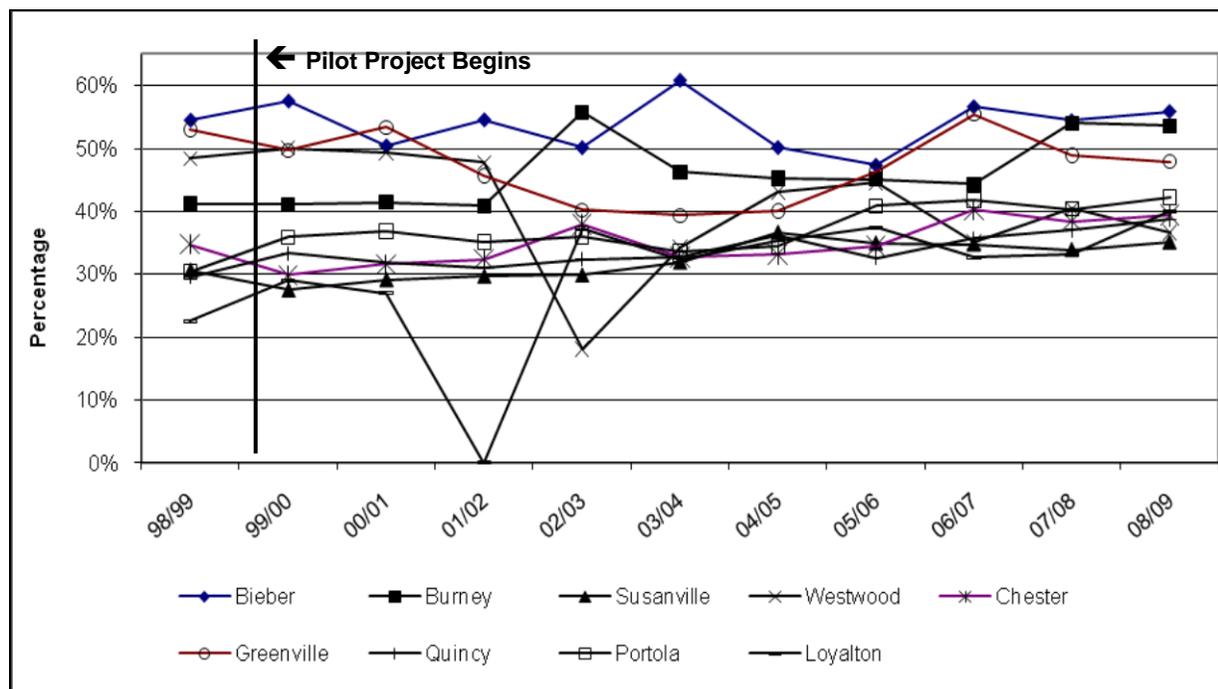
#### ***Why is it important?***

Families with income levels that are low enough to be accepted into free and reduced-price school meal programs can be considered poor families. Higher participation levels indicate higher family poverty levels. Measuring the number of poor families is a way to gauge local economic performance.

#### ***How are Pilot Project communities doing?***

As highlighted in the exhibit below, in the 2007-2008 school year program participation increased to its highest point since the beginning of the Pilot Project. However, most of this increase is due to a handful of schools in the Burney and Westwood areas. Overall, six communities experienced increases in program participation in 2008-2009. Data shows those communities that lost sawmills, such as Susanville (2004) and particularly Loyalton (2001), exhibited an increase in program participation. For example, in the 2000-2001 school year 27 percent of Loyalton students participated in the free and reduced lunch program compared to 40 percent participation in 2008-2009. Despite these spikes, region-wide free and reduced lunch program participation is relatively stable with fluctuations between 34 and 39 percent since 1999.

**Exhibit 11: Percentage of Enrolled Students Participating in Free & Reduced Lunch Programs**



**Table 20: Percentage of Enrolled Students in Free & Reduced Lunch Programs**

Community	School Year									
	98/99	99/00	00/01	01/02	02/03	03/04	04/05	05/06	06/07	07/08
Bieber	54.5%	57.6%	50.5%	54.6%	50.2%	60.8%	50.2%	47.4%	56.7%	54.4%
Burney	41.2%	41.1%	41.4%	40.9%	55.7%	46.2%	45.3%	45.1%	44.3%	54.0%
Susanville	30.6%	27.5%	29.1%	29.7%	29.9%	31.9%	36.6%	34.9%	34.8%	33.9%
Westwood	48.4%	50.1%	49.4%	47.8%	18.1%	34.3%	43.1%	44.5%	35.1%	40.4%
Chester	34.8%	29.9%	31.6%	32.4%	38.0%	32.8%	33.2%	34.5%	40.2%	38.4%
Greenville	53.0%	49.7%	53.4%	45.7%	40.2%	39.3%	40.1%	46.4%	55.5%	48.9%
Quincy	29.6%	33.3%	31.8%	30.9%	32.4%	32.8%	36.1%	32.6%	35.7%	37.1%
Portola	30.4%	35.9%	36.9%	35.1%	35.9%	33.6%	34.5%	40.9%	41.8%	40.3%
Loyalton	22.6%	29.1%	27.0%	N/A	37.4%	32.3%	35.4%	37.4%	32.7%	33.2%
<b>Pilot Project Area Total</b>	<b>34.8%</b>	<b>34.4%</b>	<b>34.8%</b>	<b>34.8%</b>	<b>33.4%</b>	<b>35.6%</b>	<b>38.6%</b>	<b>38.6%</b>	<b>38.5%</b>	<b>39.5%</b>

Source: California Department of Education, California Basic Educational Data System.

Note: 2001/2002 data for Loyalton was not reported; 2002/03 data for Westwood likely is an anomaly.

### 3.12 Population Age Structure

The U.S. Census Bureau tabulates age distribution of the population. The decennial census is the only base data on population collected by age at the community level. Three age groups are given below: children (Age 0-17), working-age adults (age 18-64), and senior citizens (age 65+).

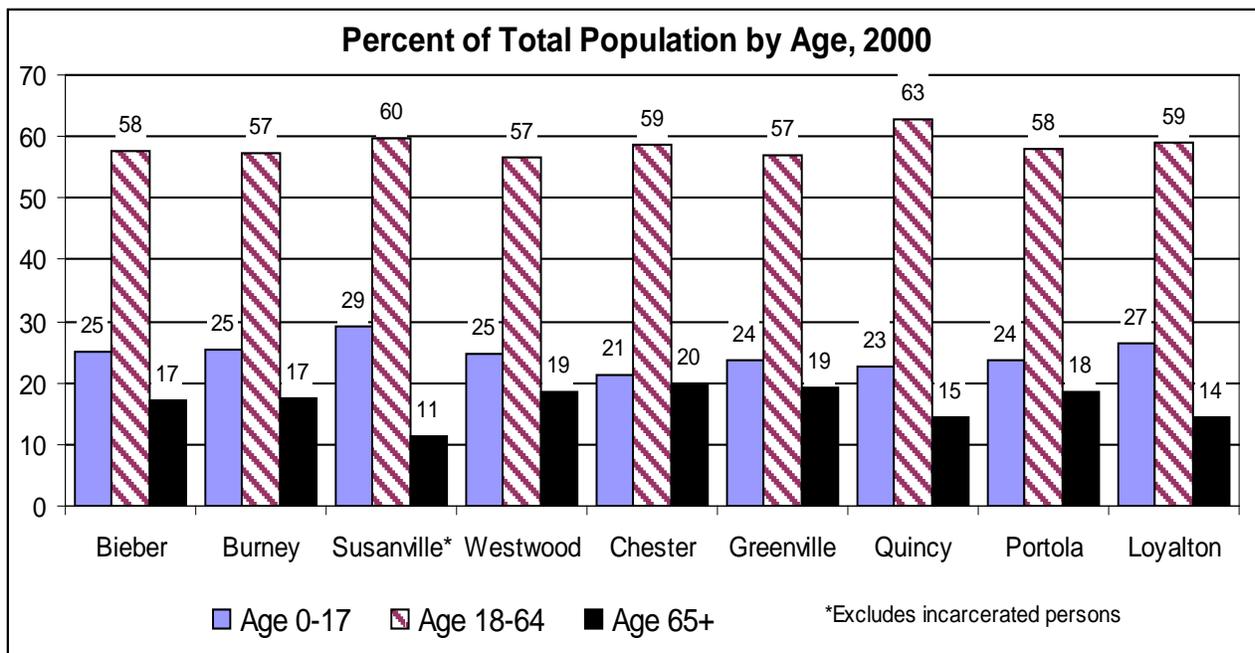
**Why is it important?**

Age structure indicates the degree to which communities have a higher concentration of families, non-family workers, or retired citizens. Higher percentages of children indicate a concentration of families, higher percentages of working-age adults (without the high percentage of children) indicate a concentration of non-family workers, and a high percentage of senior citizens indicate a concentration of retired persons. Increasing employment is more likely to benefit communities with families and non-family workers and less likely to benefit communities with higher concentrations of retirees.

**How are Pilot Project communities doing?**

The data presented below are from the 2000 Census. As shown in the graph, the demographics of the nine project area communities are similar. Susanville and Quincy have the highest percentage of adult residents. Susanville also has the greatest percentage of youths (0 to 17 years old). Retirement age citizens (65+ years old) are more concentrated in communities around Lake Almanor (Chester, Westwood and Greenville).

**Exhibit 12:**



Source: U.S. 2000 Census.

## Appendix A: Status of HFQLG Socioeconomic Monitoring

The following is a summary of HFQLG monitoring effort. The objectives for socioeconomic monitoring are to:

- 1) Supply socioeconomic information and analysis for the Annual Status Report to Congress pursuant to Section 401(j)(1)(D), described in the introduction.
- 2) Supply socioeconomic information and recommendations to the scientific panel pursuant to Section 401(k)(1) described below:

*§401(k)(1): The Secretary [of the U.S. Department of Agriculture] shall establish an independent scientific panel to review and report on whether, and to what extent, implementation of the pilot project under this section achieved the goals stated in the Quincy Library Group-Community Stability Proposal, including ... community stability.*

### Monitoring History

Originally, the HFQLG Implementation Team collected annual spending data and contracted with the Center for Economic Development at Chico State University (CED) to use IMPLAN models to predict the economic benefits to the area that resulted from this spending. Through internal discussions and meetings with a citizen group, the HFQLG Implementation Team decided that monitoring data must be “empirical” rather than “theoretical” in the annual Status Report to Congress. Therefore, the Implementation Team decided not to have CED run an economic impact analysis, but rather to use monitoring resources to study socioeconomic indicators as they become available.

In 2003, Congress extended the Pilot Project to 2009. This allowed time to determine a better socioeconomic monitoring strategy, as well as time to collect better data for the scientific panel to analyze at the end of the project. In 2005, the HFQLG Implementation Team contracted with Jack Faucett Associates with support from CED to continue the socioeconomic monitoring study.

The Consolidated Appropriations Act of 2008 extended implementation of the HFQLG Pilot Project to September 30, 2012.<sup>23</sup> The Forest Service intends to continue collecting data and analyzing the socioeconomic indicators identified in this report through 2012. Final analysis of the data will be conducted to evaluate of the effectiveness of the Pilot Project.

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<sup>23</sup> Consolidated Appropriations Act, 2008 (H.R.2764), Division F – Department of the Interior, Environment, and Related Agencies Appropriations Act, Section 434.