OVERSIGHT OF THE MANAGEMENT PRACTICES AT THE U.S. FOREST SERVICE

HEARINGS

BEFORE THE

SUBCOMMITTEE ON GOVERNMENT MANAGEMENT, INFORMATION, AND TECHNOLOGY

OF THE

COMMITTEE ON GOVERNMENT REFORM AND OVERSIGHT HOUSE OF REPRESENTATIVES

ONE HUNDRED FIFTH CONGRESS

SECOND SESSION

JULY 7 AND 9, 1998

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OVERSIGHT OF THE MANAGEMENT PRACTICES AT THE U.S. FOREST SERVICE

TUESDAY, JULY 7, 1998

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON GOVERNMENT MANAGEMENT,
INFORMATION, AND TECHNOLOGY,
COMMITTEE ON GOVERNMENT REFORM AND OVERSIGHT,
Bellflower, CA.

The subcommittee met, pursuant to notice, at 10:10 a.m., in the city council chambers, Bellflower City Hall, 16600 Civic Center Boulevard, Bellflower, CA, Hon. Stephen Horn (chairman of the subcommittee) presiding.

Present: Representatives Horn and Davis.

Staff present: J. Russell George, staff director and chief counsel; Mark Brasher, senior policy advisor; and Matthew Ebert, clerk.

Mr. HORN. A quorum being present, the hearing of the Subcommittee on Government Management, Information, and Technology will come to order. Today, we will examine the management practices of the U.S. Forest Service.

The Forest Service was established in 1905 by President Theodore Roosevelt. The President, in accordance with the Progressive movement, sought to run the agency on scientific principles, such as relying on experts in the field of wildlife management and timber harvesting. The Forest Service today has a wide range of responsibilities and is responsible for many valuable goods and services, including recreation, timber, watershed, wildlife, and fish.

Sometimes these responsibilities conflict with each other in ways that are frustrating for citizens. The citizen who wishes to swim in a river in a national forest may find the river tainted by minerals if extensive logging has occurred. The citizen who wishes to make a house from timber harvested in a national forest may pay more if the timber is unavailable. A citizen who wishes to hunt may have difficulty doing so if a timber cut has destroyed an animal's habitat. These priorities are occasionally in conflict, and who must arbitrate these conflicts? The Forest Service must play the part of Solomon—dividing the forest among these competing uses.

Nobody doubts that the Forest Service faces daunting challenges. The Service is asked to reconcile competing interest groups in dozens of remote locations every day. Part of the problem is that the agency controls extraordinarily valuable resources. The value of the common goods—such as watersheds and wildlife habitats—are incalculable. The value of other benefits add up to billions of dollars. These benefits include fishing, hunting, hiking, canoeing, and other

forms of recreation, as well as timber, mining, and other forms of resource extraction.

In many ways, it is difficult to place exact values on the production of the Forest Service. Part of the value created is very difficult to ascertain. The part that should be calculable—benefits enjoyed by a particular person—resource extraction and recreation, are also difficult to determine.

Part of the key to this problem is accurate, timely financial information. Citizens and Government officials can make informed policy judgments only if we have correct information. For the fiscal year ending September 31, 1997, the Forest Service was required to produce an audited financial statement. The March 1, 1998 deadline for this report has come and gone and we are still awaiting the report. Nearly ever other agency has managed to accomplish this financial audit. The Forest Service is a laggard, well behind other Federal agencies.

Part of the problem is outdated financial systems. In past years, the Forest Service did not have a financial system capable of generating information needed by management even to determine how well the agency was doing. Since it is impossible to get accurate information in Washington about Forest Service activities, many operations are run as local fiefdoms. This has led to a lack of accountability.

The Forest Service is attempting to rectify these problems. However, since the Forest Service impacts the lives of millions of Americans, changes in the agency will receive great attention.

Take the recreation fee demonstration project. For several decades, the Federal Government has been relying on fees to an ever-greater extent. Land agencies, such as the National Park Service and the National Forest Service among others, have extensive needs that cannot continue to be met adequately through annual appropriations. Each year national treasures are neglected; therefore, we must examine the merits and demerits of using fees. Questions of access to the forest must be balanced against funding shortfalls. This pilot program has been very controversial and has generated much debate. That debate is healthy, and we all should welcome a discussion of the role of the Forest Service in providing a variety of goods and services.

Our witnesses today represent diverse groups from the Forest Service, the General Accounting Office, and various private and interest groups. We look forward to their testimony. I might say this is the second hearing we have held on the Forest Service. The first was in the White Mountains in New Hampshire. This is the second, and the third will be in eastern Washington this coming Friday. We have a very good panel of witnesses today and we welcome them.

Let me explain a little bit of how we operate. We are an investigative committee, the Subcommittee on Government Management, Information, and Technology, of the House's full Committee on Government Reform and Oversight, and as such, all witnesses before either the subcommittee or the full committee are under oath when they testify. We have all read the statements. The statement automatically goes in the record for each witness. So do not ask to have it put in the record, for it is automatically in the

record. What we would like the witnesses to do, so we can have more time for a dialog and not just reading paper at each other, is to summarize their statement. With the principal Government witnesses from the General Accounting Office and the Forest Service, we will give about 15 minutes apiece for their summary, and with the other witnesses on panel two, we will probably give about 10 minutes for the summary. Panel two is a variety of people that have great concerns about the forests.

The title of this hearing is "Oversight of the Management Practices at the U.S. Forest Service." May I say they were not alone, the laggards on the balance sheet. You should know that for the first time in the history of the country, the Congress has extracted a balance sheet from most Federal agencies and there has never been a balance sheet ever devised in the Federal Government since the first Congress met in New York in 1789.

Starting in 1994 in a bipartisan effort of Democrats and Republicans in the then Democratic 103d Congress, we said you have 5 years, to the executive branch to get in order so that we can get a balance sheet off of the entire branch to know where the money is, where it is going, how is it funded and so forth, just as a corporation, any non-profit, or any university would have to have. We thought at that time there would be only two agencies that would not make it. One would be the Internal Revenue Service, because they showed us the balance sheet in 1993, and we thought they were hopeless, and believe it or not, they made it. They have got a decent balance sheet.

The other was the Pentagon, the Department of Defense. We did not think they could ever balance a sheet, and we were right, they still have not. We have been holding several different investigations on that. One of them, I titled a hearing, "What Have You Done With the 25 Billion We Cannot Find?" Well, they came in after 2 years of searching and they now have got it down to 10 billion, so we will give them another year and see if they can find the rest of it.

What we have here is the need to go to the grassroots to talk to real people that have tough decisions to make every day in the management of one of our great national institutions, which is the Forest Service, as well as the great recreation/conservation efforts that are made in this country by various agencies. So we will be talking a little bit about fiscal aspects and then we will get into some general policy aspects.

I am delighted to have with me as a valued member of this committee, Mr. Tom Davis, a Member of Congress, U.S. Representative from the northern Virginia area. Mr. Davis came to Congress many years ago as a page and then rose to be a very prominent attorney in his area, and was also head of the Fairfax County Board. In essence, he ran much of that county, since in the east, there is a different type of county government generally than you have in the west. He is also a subcommittee chair of the full committee, chairing the District of Columbia Subcommittee and has done a great job in helping to turn the Washington administration around. So, I am glad to have him on this little adventure, and welcome. Any opening remarks the gentleman has are welcome.

[The prepared statement of Hon. Stephen Horn follows:]

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"Oversight Hearing on Management Practices of the U.S. Forest Service."

July 7, 1998

OPENING STATEMENT
REPRESENTATIVE STEPHEN HORN (R-CA)

Chairman, Subcommittee on Government Management,
Information, and Technology

A quorum being present, this hearing of the Subcommittee on Government Management, Information and Technology will come to order. Today, we will examine the management practices of the U.S. Forest Service.

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Sometimes these responsibilities conflict with each other, in ways that are frustrating for citizens. A citizen who wishes to swim in a river in a National Forest may find the river tainted by minerals if extensive logging has occurred. A citizen who wishes to make a house from timber harvested in a National Forest may pay more if the timber is unavailable. A citizen who wishes to hunt may have difficulty doing so if a timber cut has destroyed an animal's habitats. These priorities are occasionally in conflict. And who must arbitrate these conflicts? The Forest Service must play the part of Solomon -- dividing the forests among these competing uses.

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In many ways, it is difficult to place exact values on the "production" of the Forest Service. Part of the value created is incalculable. The part that ought to be calculable -- benefits enjoyed by a particular person -- resource extraction and recreation -- are also difficult to determine.

Part of the key to this problem is accurate, timely financial information. Citizens and government officials can make informed policy judgments only if we have correct information. For the fiscal year ending September 31, 1997, the Forest Service was required to produce an audited financial statement. The March 1, 1998 deadline for this report has come and gone. We are still awaiting the report. Nearly every other agency has managed to accomplish this financial audit. The Forest Service is a laggard, well behind other Federal agencies.

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The Forest Service is attempting to rectify these problems. However, since the Forest Service impacts the lives of millions of Americans, changes in the agency will receive great attention.

Take the recreation fee demonstration project. For several decades, the Federal Government has been relying on fees to an ever-greater extent. Lands agencies, especially the National Park Service and Forest Service, have extensive needs that cannot continue to be met adequately through annual appropriations. Each year, national treasures are neglected. Therefore, we must examine the merits and demerits of using fees. Questions of access to the forest must be balanced against funding shortfalls. This pilot program has been very controversial and has generated much debate. This debate is healthy, and we all ought to welcome a discussion of the role of the Forest Service in providing a variety of goods and services.

Our witnesses represent diverse groups from the Forest Service, the General Accounting Office, and private groups. We look forward to their testimony.

Mr. DAVIS. Mr. Chairman, I will be very brief. First of all, thank you for holding these hearings. We both have talked, of course, to some of the authorizing committee members, Chairman Chenoweth on the authorizing subcommittee and the like in coordinating to make sure that the testimony here is shared with them and with the full committee Chairman Smith and others.

Most of my district is inside the beltway. In the Washington area where our flower—the flower of northern Virginia is the asphalt cloverleaf. It is kind of a different culture altogether than we find out in the west where we have a lot of national forests. I applaud the chairman for holding these hearings and talking a little bit about the Recreation Fee Demonstration Program and hearing testimony on that, and, of course, the Knutson-Vandenberg Act, which has evoked some controversy over the way those funds have been utilized. Nothing brings more conflict to the House floor than Forest Service issues when they come to the House floor, whether it's during the appropriations debate or other environmental debates.

We have a diverse group to hear from today and I look forward to hearing the testimony. I may not be able to stay for every part of it because I have a plane to catch a little bit later, but I assure you, I will read this testimony and share it with other members of this subcommittee and the authorizing committee as well. I appreciate everyone being here today.

Mr. Chairman, once again, thanks for holding these hearings.

[The prepared statement of Hon. Tom Davis follows:]

THOMAS M. DAVIS
11TH DISTRICT, VIRGINIA

COMMITTEE ON
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OPENING STATEMENT OF REPRESENTATIVE TOM DAVIS
Oversight of the Management of the Office of Workers' Compensation Programs
Long Beach, California
July 6, 1998

Mr. Chairman, I am very pleased that the Committee is holding this hearing today to address concerns that have arisen regarding the operation of the Office of Workers' Compensation Programs (OWCP). I also want to thank our witnesses for being here today.

The role of the Workers' Compensation Office is very important to our workers; I know that responsiveness and efficiency in the daily performance of OWCP is extremely critical to my own constituents. However, I and many of my constituents have been frustrated by the persistent lack of assistance and follow-up on the part of OWCP when we have submitted claims for their attention.

Consistent failures to return phone calls, frequent changes in caseworkers handling particular cases, and the occasional inability to locate needed case files are all instances indicative of fundamental problems in the Workers' Compensation Office. Furthermore, my own Congressional inquiries receive similar unresponsive treatment from this office. Recently, my District Director came away from a meeting with Mr. Michael Johnson, the OWCP District 25 Director, feeling even more frustrated. From that meeting, we discovered that the job turnover for a caseworker in the OWCP is six months, and that a caseworker's decision is seldom questioned. I would like to give just a couple of examples of some problems faced by my constituents and by me, in pursuing their cases:

- On December 19, 1997, Mr. Gregory Scott called my office for help with his workers' compensation case that was first opened in March, 1996. The basis of his claim was a recurrent injury to his left foot. He sought my assistance when he continually received no response to his phone messages or any timely follow-up in processing his case. The problems he encountered with OWCP include unexpected interruptions in compensation payments, long delays in reimbursement of out-of-pocket medical expenses, failure to correct errors in dates and compensation, and failure to respond to letters. After prolonged delay in action on Mr. Scott's case, his request for an Oral Hearing was remanded back to the OWCP for further review just last week.

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- On December 30, 1997, I sent an inquiry to OWCP on behalf of Ms. Mariann Smith. She suffered a knee injury from a fall at the Department of Defense and has been seeking reimbursement for treatment on a claim which was already accepted. On June 30th, I received a copy of a response addressed to Ms. Smith that was dated April 20, 1998. The address for Ms. Smith was an old address—Ms. Smith never received that letter.

While I understand that the OWCP is dealing with difficult cases and investigations on a daily basis, progressive action must be taken to ensure that our constituents receive the understanding and continuity they deserve when they seek their services. We must also be concerned about the cost to taxpayers of an office whose purpose is to investigate and resolve each of these cases in an efficient and timely manner. Since the notice of this hearing was announced, I have received a call from the OWCP asking if "we were caught up" on some outstanding cases. However, I hope that we can explore ways to address these basic weaknesses together and ensure the permanent improvement in the way the Workers' Compensation Office serves American citizens.

That concludes my opening statement, Mr. Chairman. I look forward to hearing the testimony of our witnesses today.

Mr. HORN. Well, we thank you for coming.

The first panel will come forward. We have Ms. Linda Calbom, Director, Civil Audits, U.S. General Accounting Office; Mr. Jim Meissner, Assistant Director of Resources, Community and Economic Development, U.S. General Accounting Office; Mr. Ronald Stewart, Deputy Chief for Programs and Legislation, U.S. Forest Service; Mr. Michael Rogers, Forest Supervisor, Angeles National Forest, U.S. Forest Service. If you, ladies and gentlemen, will stand and raise your right hands.

[Witnesses sworn.]

Mr. HORN. The clerk will note that all four witnesses have affirmed, and we will start with Ms. Calbom, the Director of Civil Audits. I might add, the U.S. General Accounting Office is part of the legislative branch, it is a non-partisan agency. It has done outstanding work since it was created in 1921 as part of the Budget Act of that year which created the Bureau of the Budget for the President, and we call on them regularly to go into situations and look at not only the fiscal aspects but the programmatic aspects of an agency. Are they acting in accord with the laws past by the Congress or the Executive orders issued by the President? That is what we are here to hear from them today, and we will start with Ms. Calbom.

STATEMENTS OF LINDA CALBOM, DIRECTOR, CIVIL AUDITS, U.S. GENERAL ACCOUNTING OFFICE; JIM MEISSNER, ASSISTANT DIRECTOR OF RESOURCES, COMMUNITY AND ECONOMIC DEVELOPMENT, U.S. GENERAL ACCOUNTING OFFICE; RONALD STEWART, DEPUTY CHIEF FOR PROGRAMS AND LEGISLATION, U.S. FOREST SERVICE; AND MICHAEL ROGERS, FOREST SUPERVISOR, ANGELES NATIONAL FOREST, U.S. FOREST SERVICE

Ms. CALBOM. Thank you. I will be very brief. I have prepared a summary of my statement, so I will not need to take the——

Mr. HORN. You have 15 minutes, so——

Ms. CALBOM. I think that will be plenty of time.

Anyway, Mr. Chairman and Mr. Davis, I am pleased to be here to discuss our work on Forest Service financial management issues. As you know, the problems at the Forest Service are very deep seated with regard to its financial accounting and reporting systems.

In July 1996, the USDA Inspector General issued an adverse audit opinion, thereby concluding that Forest Service's 1995 financial statements were in effect totally unreliable. The IG's findings represented a continuing pattern of unfavorable conclusions about the Forest Service's financial statements. For 1996, the Forest Service did not prepare financial statements but chose instead to work on resolving some of the problems that had been identified in 1995.

As you have mentioned, Mr. Chairman, they are in the process of preparing financial statements for 1997. We understand the IG is in the process of finalizing his report on those statements. I think they should be out shortly, but you are correct, they are quite late.

Today, I will focus primarily on the analysis that we did of the 1995 statements, those being the last available. This audit disclosed a number of very serious financial management weaknesses, and most of these do continue to persist. I will also just touch briefly on Forest Service plans to address some of these weaknesses.

The 1995 audit disclosed the fact that there were significant reporting errors in the financial statements and supporting records. There was a lack of adequate policies and procedures to safeguard assets against unauthorized acquisition, use and disposition. And also, there was an inability to track accurately revenues and costs. Just to give you a few examples of the types of problems that they were having, there was $45 million in accounts receivable amounts owed to Forest Service from other agencies that was double counted. This, in effect, can overstate your budgetary resources available. So this was a significant problem that was found.

There were amounts due to others for contracted services that had to be estimated because Forest Service did not have a system where they could track the percentage of work completed. So they did not know how much was owed to these contractors at any point in time. And there was a $38 million adjustment to accounts payable, based on an analysis Forest Service did, that had to be made at year end.

Also, there was not a reliable system for tracking the 378,000 miles of roads that the Forest Service owns. I might just note, that is more than the mileage of our entire national highway system. They did some initial inventory counts on these roads. They are still working on them. In one region alone, there was $1.3 billion worth of these roads that were identified that had not been previously recorded.

And finally, Forest Service did not have adequate systems to adequately track revenues and total program and operating costs agency-wide. For example, they could not come up with the cost of fighting some major fires. This is again back in the 1995 report.

These are just a few of the problems the IG found in their 1995 audit. And these types of problems can lead to mismanagement and misuse of assets. They can lead to unnecessary budget requests and certainly inaccurate performance measures which, of course, is a big focus, you know, of late. And certainly, they are indicative of a general lack of accountability.

The Forest Service in conjunction with the USDA chief financial officer and the IG has been working very diligently to try to resolve these problems. The goal was to correct the major deficiencies by the end of fiscal year 1999; however, because the problems are so deep seated progress has been very slow and it is not clear whether they will be able to meet that goal of correcting the problems by fiscal 1999. We understand that the IG's recently concluded audit will again result in an unfavorable report, and that the same major financial management deficiencies continue to persist at the Forest Service.

That concludes my statement and I will be glad to answer any questions at the appointed time.

Mr. HORN. Thank you very much. What we are going to do is have your colleague also start and then we will yield to the Forest

Service and then when all of that formality is done, we will get to questions for everybody and have a dialog.

So we have now Mr. James K. Meissner, the Associate Director for Energy Resources and Science Issues, Resources, Community, and Economic Development Division, U.S. General Accounting Office.

[The prepared statement of Ms. Calbom follows:]

Mr. Chairman and Members of the Subcommittee:

I am pleased to be here today to discuss the results of our work examining weaknesses in the Forest Service's financial accounting and reporting systems reported by the United States Department of Agriculture's (USDA) Office of Inspector General (IG). The Forest Service has been plagued by continuing financial management problems as evidenced by the IG's adverse opinion on the Forest Service's fiscal year 1995 financial statements. Due to the severity of these problems, the Forest Service did not prepare financial statements for fiscal year 1996, but chose instead to focus its efforts on problem resolution. Financial statements were prepared for fiscal year 1997, and the audit of those statements is near completion; as of July 1, 1998, the USDA IG was finalizing its report. Today, I will focus primarily on the fiscal year 1995 audit results which disclosed a number of serious weaknesses, most of which still exist today. I will also briefly discuss the Forest Service's plans to address these weaknesses. While some progress has been made, many hurdles still exist before the Forest Service will be able to achieve financial accountability.

HISTORY OF FINANCIAL SHORTCOMINGS

In July 1996, the USDA IG issued an adverse audit opinion, thereby concluding that the Forest Service's financial statements for fiscal year 1995 were unreliable overall. The IG's findings represented a continuing pattern of unfavorable conclusions about the Forest

Service's financial statements. For fiscal year 1992 the IG also issued an adverse opinion due to the overall unreliability of the statements. For fiscal years 1993 and 1994, the IG issued qualified audit opinions and reported that the Forest Service's financial statements were unreliable due to pervasive errors in the field level data supporting the land, buildings, equipment, accounts receivable, and accounts payable accounts. Thus, many of the shortcomings in the Forest Service's accounting and financial data and information systems that continue to plague the agency today are largely attributable to long-standing problems.

Among the more serious shortcomings cited by the IG in its report on the fiscal year 1995 financial statements were that the Forest Service

- had significant reporting errors in its financial statements and the records that support those statements;

- could not demonstrate that its policies and procedures adequately safeguarded assets against unauthorized acquisition, use, or disposition; and

- lacked financial systems that could accurately track revenues and costs.

These shortcomings are discussed in greater detail below.

Errors in Financial Statements

The IG's report on the fiscal year 1995 financial statements and the notes to the financial statements identified numerous financial reporting errors. For example:

- Estimated amounts of $45 million due to the Forest Service from other federal agencies (accounts receivable) for reimbursable services provided were double counted on the Forest Service's financial records. This type of error called into question the validity of receivables and reimbursement activity reported by the Forest Service and potentially impaired meaningful analysis of such activity. Additionally, since these data were drawn from the same database used to produce budgetary information, misstatement of reimbursable services could have resulted in misstatement of budgetary resources available to carry out program activities.

- The Forest Service did not have a system that allowed it to accurately track amounts it owed to others (accounts payable) for contracted services. While the system could determine the amount the Forest Service obligated, it could not readily determine the percentage of work completed or the amount owed to the contractor. As a result, Forest Service managers had to resort to estimation of these amounts based on statistical sampling and testing of year-end obligations incurred. Based on this testing, the Forest Service concluded that accounts payable were understated by approximately $38 million, and it adjusted its records

accordingly. While the Forest Service's weaknesses in accounting for payables were not indicative of whether or not the Forest Service overobligated funds, they precluded the Forest Service from readily knowing costs it had incurred and amounts it owed on projects at any given point.

These errors in basic financial records demonstrated that the Forest Service was not always able to determine the amount of funds spent, reimbursements it should have received, or the validity of recorded assets and liabilities. Certain of these financial reporting errors also indicated potential errors in budgetary data, particularly with regard to improperly reported reimbursements, which directly impact the amount of budgetary resources available. These errors also hampered Forest Service managers' ability to accurately report program performance measures as well as monitor income and spending levels for various programs and activities.

Lack of Policies and Procedures to Safeguard Assets

The IG report disclosed that the $7.8 billion in property, plant, and equipment reported by the Forest Service was erroneous because records for these assets were not consistently prepared, regularly updated, or supported by adequate documentation. Therefore, the correct quantities and costs of these assets were not determinable. Without systems in place to accurately track these assets, the Congress had no assurance that Forest Service

requests for additional funds to construct new roads and buildings and acquire new equipment were warranted.

For example, the Forest Service lacked a reliable system for tracking its reported 378,000 miles of roads,[1] which we determined exceeds the mileage of the national highway system. The Forest Service started performing inventory counts in fiscal year 1995 in an effort to capture the amount invested in roads it owns. These initial counts identified $1.3 billion of roads in one region alone that had not been previously recorded. At that time, Forest Service officials estimated that this process would take several years to complete nationwide.

The IG also reported inadequate safeguarding policies and procedures for equipment. Equipment is susceptible to theft or misplacement because generally it can readily be moved from one location to another. The lack of adequate procedures to account for equipment substantially increased the risk that items could be stolen without detection or be misplaced and consequently not available when needed. Also, the Forest Service's inability to identify certain equipment it owned and its location could have hampered activities of the Forest Service that utilized that equipment. This situation could also have resulted in the Forest Service requesting additional appropriations to replace stolen or misplaced equipment.

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[1]The miles of roads are reported in the Forest Service's 1995 Report of the Forest Service.

Lack of Systems to Track Revenues and Costs

The IG also concluded that the Forest Service did not have adequate systems to track revenues and total program and operating costs agencywide. For example, the IG reported that the Forest Service could not calculate the costs of large fires without manually adjusting the accounting systems. Additionally, our prior work disclosed the Forest Service's inability to capture the revenues and related costs of various programs and activities.[2] This capability is especially important because the Forest Service should have accurate historical revenue and cost data that can be used as the basis for determining the amount of money to request from the Congress to fund future projects and operations. The ability to track costs and revenue is also important for the Forest Service given its (1) relatively unique role in collecting revenues from timber sales and fees from activities, such as grazing and national forest use, and (2) authority and flexibility in using a portion of those revenues to carry out certain missions.

CORRECTIVE ACTIONS

Forest Service officials determined that planned corrective actions could not be completed in time to improve the Forest Service's fiscal year 1996 financial data. As a result, the agency did not prepare financial statements for fiscal year 1996. Instead, the

[2]Letter dated June 19, 1996, from GAO to the Chairmen of the House Committee on the Budget and the House Committee on Resources.

Forest Service, USDA's Office of the Chief Financial Officer (OCFO), and the IG agreed to work together to address the problems identified in the fiscal year 1995 IG audit report.

The Forest Service's goal was to correct some of the deficiencies during fiscal year 1997 and to achieve financial accountability by the end of fiscal year 1999. In August 1997, we reported[3] that it was doubtful that the Forest Service could achieve financial accountability by the end of fiscal year 1999 if management and staff commitment wavered, planned tasks were not accomplished, and sufficient resources were not provided. Our most recent report in February 1998[4] concluded that while corrective measures were under way, few of the problems reported by the IG in the fiscal year 1995 audit report had been fully resolved. Thus, we reported, it was not yet clear whether the Forest Service would be successful in its efforts to resolve these problems by the end of fiscal year 1999.

The IG recently concluded its audit of the Forest Service's fiscal year 1997 financial statements and was preparing its report as of July 1, 1998. However, we understand that because of the continuing financial accounting and reporting shortcomings, the IG will issue an unfavorable report on the fiscal year 1997 statements.

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[3]Financial Management: Forest Service's Progress Toward Financial Accountability (GAO/AIMD-97-151R, August 29, 1997).

[4]Forest Service: Status of Progress Toward Financial Accountability (GAO/AIMD-98-84, February 27, 1998).

Mr. Chairman, this concludes my statement. I would be glad to answer any questions that you or the Members of the Subcommittee may have.

Mr. MEISSNER. Mr. Chairman and Mr. Davis, Linda and I represent different parts of GAO. Linda represents the accounting piece and I represent the program piece, but in this particular testimony today we support each other. I will be talking about the K–V Fund, or the Knutson-Vandenberg Fund, as an example of what Linda talked about earlier in terms of financial management problems in the Forest Service. So we are working together today.

We appreciate the opportunity to be here today to provide information on some of our work on the Forest Service's Knutson-Vandenberg Fund, commonly referred to as the K–V Fund. Essentially, this fund is the primary source of the Forest Service moneys used for the reforestation of timber harvest areas. The fund is also used to improve timber stands and other renewable resources within harvested areas. Although the amount of expenditures from the K–V Fund may vary from year to year, last year, 1997, a little more than $166 million was expended.

As requested, our statement today is drawn primarily from our June 1996 report on the shortcomings of the administration of the K–V Fund. The report addressed the following four issues: (1) The transfers from the K–V Fund that have not been fully restored; (2), the effect of unrestored transfers on planned projects; (3) the lack of financial information to ensure compliance with the K–V Act requirements; and (4) the lack of a standardized methodology for calculating and limiting program support costs, commonly called overhead. We will also discuss the Department of Agriculture's subsequent actions on our recommendations.

In summary, between 1990 and 1996, $645 million was transferred from the K–V Fund which had not been reimbursed. To assist the Congress in its consideration of any future requests for appropriations to restore previously transferred funds, we recommended that the Secretary of Agriculture report to the Congress on the financial status of the K–V Fund. Since our report, the Department has begun providing the Congress with additional information on the financial status of the fund. In fiscal 1997, the Congress acted on that information by providing $202 million in additional money to at least partially reimburse the K–V Fund. At the beginning of fiscal year 1998, the K–V Fund still had an unrestored balance of $493 million.

The Secretary of Agriculture has not directed the Forest Service to revise the list of K–V projects to take into account the actual balance in the K–V Fund, as we have recommended. The Department stated that it would not require such a list until it was certain that the K–V Fund was going to run out of money.

Although the K–V Act requires the K–V Fund expenditures in one sale area be limited to amounts collected in the same area, the Forest Service does not collect expenditure data on a sale-by-sale basis. We recommended that the Secretary of Agriculture direct the Forest Service to perform an analysis of alternatives to obtain the financial data necessary to ensure compliance with the act. The Department of Agriculture has not implemented our recommendation. The Secretary of Agriculture indicated that he did not believe such an analysis was necessary and that the Forest Service methods fulfilled the requirements of the act.

At the time of our 1996 report, the Forest Service did not have a system in place to ensure the consistent handling of program support charges for the K–V program. We recommended that the Secretary of Agriculture require all organizational units to use a standardized methodology for assessing and withholding the support costs for the K–V program that would limit expenditures for program support to the amounts collected for such purposes. Since the time of our report, the Forest Service has completed an analysis of the methodological changes that are needed to standardize the Forest Service's practices for assessing and withholding program support costs for the K–V program and the results of their work should be finally published in September 1998.

To add a little bit of background to what the Forest Service may be talking about in some of their response, I will just read a couple of more items and then I will turn it back over to you.

The Knutson-Vandenberg Trust Fund allows portions of receipts from timber sales to be deposited in the K–V Fund to be used to reforest timber sale areas. In addition to being used for planting trees, these deposits may also be used for eliminating unwanted vegetation and for protecting and improving the future productivity of renewable resources on forest lands in sale areas, including sale area improvement operations, maintenance, construction, and wildlife habitat management.

Reforestation is needed where timber harvests or natural disasters have depleted the existing timber stands. In fiscal 1997, about $166 million was expended from the K–V Fund for reforestation and related projects. The majority of the K–V moneys—about $115 million—was used to fund direct reforestation activities. In addition to the direct reforestation expenditures, about 51 million was used for costs incurred to support and manage the reforestation program, such as rents, utilities, computer programs and the salaries of program support staff.

Federal law permits the Forest Service to transfer amounts from the K–V Fund to supplement the Forest Service's firefighting funds when emergencies arise. The Forest Service is not authorized to restore those amounts that have been transferred. Congressional action is required.

The Forest Service's oversight and management of the K–V Fund and the reforestation program are very decentralized. Forest Service headquarters and the nine regional offices establish policy and provide technical direction to forest offices. The forest offices, in turn, provide general oversight to district offices and help the districts plan K–V projects. The district ranger is responsible for overseeing the planning and implementation of actual K–V projects.

Mr. Chairman, on the basis of the Department of Agriculture's response to our recommendations, it appears that it has taken positive actions to better inform the Congress about the magnitude of transfers from the K–V Funds for emergency firefighting activities and has recognized the need for a standard methodology. The Department of Agriculture has not implemented our recommendations concerning revising a list of K–V projects downward to recognize the unrestored balance, and it has not accepted on it has not come up with an alternative to sale-by-sale accounting on the K–V funds. We continue to believe that actions are needed in these two areas.

We will be pleased to respond to any questions that you and Mr. Davis might have.

Mr. HORN. Well, we thank you very much. We will now turn to the Forest Service, and I must say, that has historically been one of the most professional groups in the U.S. Government, starting with that great figure at the early turn of the century, Gifford Pinchot, Chief Forester.

I have been to school at the graduate level with a number of people from the Forest Service. They, as with the military, have believed in investing resources in their people to improve them through higher education.

So we welcome here today, Mr. Ronald Stewart, the Deputy Chief for Programs and Legislation of the U.S. Forest Service. Mr. Stewart.

[The prepared statement of Mr. Meissner follows:]

Mr. Chairman and Members of the Subcommittee:

We appreciate the opportunity to be here today to provide information on some of our work on the Forest Service's Knutson-Vandenberg Trust Fund, commonly referred to as the K-V Fund. Essentially, this fund is the primary source of Forest Service moneys used for the reforestation of timber harvest areas. The fund is also used to improve timber stands and other renewable resources within the harvested areas. Although the amount of expenditures from the K-V Fund may vary from year to year, expenditures for fiscal year 1997 were a little more than $166 million.

As requested, our statement today is drawn primarily from our June 1996 report[1] on shortcomings in the administration of the K-V Fund. The report addressed the following issues: (1) the transfers from the K-V Fund that have not been fully restored, (2) the effect of unrestored transfers on planned projects, (3) the lack of financial information to ensure compliance with the K-V Act requirements, and (4) the lack of a standardized methodology for calculating and limiting program support costs. We will also discuss the Department of Agriculture's subsequent actions on our recommendations to improve the management of the K-V program. In summary:

- Between 1990 and 1996, $645 million was transferred from the K-V Fund to support emergency firefighting activities that was not reimbursed. To assist the Congress in its consideration of any future requests for appropriations to restore previously transferred funds, we recommended that the Secretary of Agriculture report to the Congress on the financial status of the K-V Fund. The Department has begun providing the Congress with additional information on the financial status of the K-V Fund. In fiscal year 1997, the Congress acted upon that information by providing $202 million to partially repay moneys

[1]Forest Service's Reforestation Funding: Financial Sources, Uses, and Condition of the Knutson-Vandenberg Fund (GAO/RCED-96-15, June 21, 1996).

transferred from the K-V Fund. At the beginning of fiscal year 1998, the K-V Fund had an unrestored balance of about $493 million.

- The Secretary of Agriculture has not directed the Forest Service to revise the list of planned K-V projects to take into account the actual balance in the K-V Fund, as we recommended. The Department stated that it would not require such a list until it was certain that K-V funding for the year was inadequate.

- Although the K-V Act requires that K-V Fund expenditures in one sale area be limited to amounts collected in the same area, the Forest Service does not collect expenditure data on a sale-by-sale basis. We recommended that the Secretary of Agriculture direct the Forest Service to perform an analysis of alternatives (including the costs and benefits of each alternative) to obtain the financial data necessary to ensure that the K-V Fund's expenditures in one sale area are limited to the amounts collected from that area, as required by the K-V Act. The Department of Agriculture has not implemented our recommendation. The Secretary of Agriculture indicated that he did not believe such an analysis was necessary and that the current Forest Service methods fulfilled the requirements of the K-V Act.

- At the time of our 1996 report, the Forest Service did not have a system in place to ensure the consistent handling of program support charges for the K-V program agencywide. We recommended that the Secretary of Agriculture require all organizational levels to use a standardized methodology for assessing and withholding the support costs for the K-V program that would limit expenditures for program support to the amounts collected for such purposes. Since that time, the Forest Service has completed an analysis of the methodological changes that are needed to standardize the Forest Service's practices for assessing and withholding program support costs for the K-V program and the results of the agency's work should be implemented when the

practices become part of the Forest Service's directives in September 1998.

BACKGROUND

The Knutson-Vandenberg Trust Fund, as authorized by the Act of June 9, 1930, as amended (16 U.S.C. 576-576b), allows portions of the receipts from timber sales to be deposited into the K-V Fund to be used to reforest timber sale areas. In addition to being used for planting trees, these deposits may also be used for eliminating unwanted vegetation and for protecting and improving the future productivity of the renewable resources on forest land in sale areas, including sale area improvement operations, maintenance, construction, and wildlife habitat management.

Reforestation is needed where timber harvests or natural disasters have depleted the existing timber stands. In fiscal year 1997, about $166 million was expended from the K-V Fund for reforestation and related projects. The majority of the K-V moneys–about $115 million in fiscal year 1997–was used to fund direct reforestation activities. In addition to the direct reforestation expenditures, about $51 million was used for costs incurred to support and manage the reforestation program, such as rents, utilities, computer equipment, or the salaries of program support staff.

Federal law permits the Forest Service to transfer amounts from the K-V Fund, as well as other Forest Service appropriations, to supplement the Forest Service's firefighting funds when emergencies arise. The Forest Service is authorized to advance money from any of its appropriations and trust funds to pay for fighting forest fires. The Forest Service is not authorized to restore amounts so transferred. Congressional action is required to restore such funds.

The Forest Service's oversight and management of the K-V Fund and the reforestation program are decentralized. Forest Service headquarters and the nine regional offices establish policy and provide technical direction to forest offices. The

forest offices, in turn, provide general oversight to district offices and help the districts plan K-V projects. The district ranger is responsible for overseeing the planning and implementation of K-V projects.

K-V FUND HAS NOT BEEN FULLY REIMBURSED

Between 1990 and 1996, the Forest Service transferred about $645 million from the K-V Fund for emergency firefighting activities that had not been fully reimbursed. Since these transfers had not been reimbursed, these funds were unavailable for K-V projects. In the past, when such transfers were made, the Department of Agriculture requested and received supplemental appropriations to restore the transferred moneys, generally within 2 years of the original transfer. However, in more recent time, the Department of Agriculture had not submitted a request for a supplemental appropriation to the Congress. It was not until March 15, 1996, that the Department of Agriculture submitted a request for supplemental appropriations to the Office of Management and Budget for the $420 million transferred during fiscal years 1990, 1992, and 1995. After an additional $225 million was transferred from the K-V Fund in 1996, the Congress, in 1997, provided $202 million from the emergency firefighting appropriation as a partial reimbursement of the K-V Fund. At the beginning of fiscal year 1998, the K-V Fund had an unrestored balance of about $493 million.

To provide the Congress with the information it needs to consider any future requests for appropriations to restore previously transferred funds, we recommended that the Secretary of Agriculture report to the Congress on the financial status of the K-V Fund. The Department of Agriculture has informed the Congress about the general dimensions of the K-V funding issue on several occasions, and that information has resulted in some replenishment of the K-V fund. For example, the Fiscal Year 1997 Omnibus Appropriation Bill provided additional appropriations for emergency firefighting, and $202 million was apportioned to the K-V Fund in January 1997. In addition, the Department has begun providing the Congress with information on the K-

V Fund balance at the beginning of each fiscal year, expected K-V collections during the year, and expected K-V expenditures so that the impact of future firefighting transfers can be assessed.

UNRESTORED FIREFIGHTING TRANSFERS
JEOPARDIZE SOME PLANNED PROJECTS

Although the Forest Service acknowledged that failure to restore the amounts transferred from the K-V Fund would potentially disrupt the K-V program, forest and district offices continued to operate and plan for future reforestation projects as if the transfers had not occurred. Furthermore, the Forest Service had not informed the Congress of the impact that the funding shortfall would have on the agency's reforestation activities or developed a plan or strategy for reallocating the remaining funds to the highest-priority projects.

Although timber receipts of as much as $200 million had been added to the fund annually, the Forest Service will not be able to pay for all of its planned projects, estimated in fiscal year 1996 at about $942 million, unless the moneys transferred from the K-V Fund for firefighting purposes are restored.

We recommended that if the administration decides not to forward to the Congress the Department's request for restoration of the funds transferred for firefighting purposes, or the Congress decides not to restore these funds during the fiscal year 1997 budget considerations, the Secretary of Agriculture should direct the Chief of the Forest Service, by the end of fiscal year 1997, to revise the list of planned K-V projects to take into account the actual balance in the K-V Fund.

The Department has not implemented this recommendation and believes that the Forest Service had sufficient funding to meet all K-V requirements for 1998 and that revising the list of K-V projects downward to match the reduced K-V funding would be

both speculative and not creditable. The Department added that it would not require such a list until it was certain that K-V funding for the year was inadequate. In that event, it would provide the Congress with a generic description of the types of K-V activities that would be dropped.

FOREST SERVICE CANNOT ENSURE COMPLIANCE WITH THE K-V ACT'S REQUIREMENT

The K-V Act requires that the K-V Fund expenditures in any one sale area not exceed the amount collected in that sale area. To facilitate the management of K-V projects and the accounting for K-V funds, however, the Forest Service allows each forest to pool its K-V collections for each timber sale into a forest-level fund, commonly called a K-V pool. At the end of each fiscal year, each forest is required to create a balance sheet showing the cash available for its K-V projects, the projected collections from ongoing sales, and the estimated costs for planned projects.

The Forest Service does not have the financial management information and controls needed to ensure compliance with the K-V Act prohibition limiting K-V Fund expenditures on individual sale areas to the collections from those same sale areas. Collections are recorded for individual sales, whereas expenditures are managed and recorded in total at the district level rather than by individual sales. By allowing each forest to pool K-V collections without adequate financial controls and information, the Forest Service cannot ensure that trust fund expenditures do not exceed collections for a given sale area.

We recommended that the Secretary of Agriculture direct the Chief of the Forest Service to perform, in consultation with the Chief Financial Officer, an analysis of alternatives (including the costs and benefits of each alternative) to obtain the financial data necessary to ensure that the K-V Fund's expenditures in one sale area are limited to the amounts collected from that area, as required by the K-V Act.

The Secretary of Agriculture did not request that the Forest Service analyze alternatives to the sale-by-sale accounting system that would ensure compliance with the K-V Act. The Secretary indicated that he did not believe such an analysis was necessary and that the current Forest Service methods fulfilled requirements of the K-V Act. We continue to believe that the Forest Service's current information systems and controls do not provide assurance that the expenditures in one sale area do not exceed the collections from that sale area as required by law.

FOREST SERVICE LACKS AN EFFECTIVE METHOD FOR CALCULATING AND LIMITING PROGRAM SUPPORT COSTS

The Forest Service collects a certain amount of K-V funds on each timber sale to pay for the costs of supporting the program at all organizational levels. The regions and forests issue guidance that specifies the percentage of K-V funds that should be collected from individual sale areas to support the program at the forest, regional, and Washington offices. The agency's overall guidance, however, does not explain how individual regions or forests should calculate and limit amounts for program support. If the allocations for support costs are not limited to the amount collected, however, funds available for project expenditures in sales areas could be insufficient.

Only one forest we visited during our 1996 review limited its use of K-V funds for program support to the amounts collected for that purpose. For three of the forests, the regions did not restrict their expenditures for program support to the amounts that had been collected, nor did the forests limit the amount spent for program support at the forest level. For example, if a project costs $100, the forest might instruct the district to collect an additional 20 percent of the project's cost, or $20, to cover the cost of supporting the program. When the forest allocated funds for a project to the district, it withheld funds to cover the forest's support costs. However, rather than limiting these withholdings–to continue our example–to 20 percent of the project's cost, or $20, the forest would withhold 20 percent of the total cost ($120) or $24. This

method of determining support costs would reduce the amount available for project work to $96, $4 less than the projected need.

We recommended that the Secretary of Agriculture direct the Chief of the Forest Service to require all organizational levels to use a standardized methodology for assessing and withholding the support costs for the K-V program that would limit expenditures for program support to the amounts collected for such purposes.

The Secretary of Agriculture directed the Chief of the Forest Service to establish a standardized methodology for assessing and withholding program support costs for the K-V program, and the Forest Service formed a task force to recommend what that standardized methodology would be. The task force completed its work in November 1997, and the Forest Service estimates that the corrective action will be fully implemented when the recommended changes become part of the agency's directives in September 1998.

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Mr. Chairman, on the basis of the Department of Agriculture's response to our recommendations, it appears that it has taken positive actions on our recommendations to better inform the Congress about the magnitude of transfers from the K-V Fund for firefighting purposes and the need to establish a standardized methodology for assessing and withholding program support costs for the K-V program. The Department of Agriculture has not implemented our recommendations concerning revising the list of K-V projects downward because of inadequate funding or performing an analysis of alternatives to a sale-by-sale accounting of K-V Fund expenditures. We continue to believe that action is needed in these areas. We will be pleased to respond to any questions that you or the Members of the Subcommittee may have.

(141233)

Mr. STEWART. Thank you, Mr. Chairman, and Mr. Davis. I am pleased to be here with you this morning to discuss with you management practices of the Forest Service.

I would like to share with you some of the steps that we are taking to address some of the specific concerns about management and accountability, related to the recreation fee demonstration program, financial management, and to the overhead costs for the Knutson-Vandenberg Fund, or so-called K–V Fund. I believe that, Mr. Chairman and Mr. Davis, we share a common view of maximizing the public benefits of each dollar that the Forest Service spends, and I assure you that the Chief and leadership of the Forest Service are committed to correcting the deficiencies in our financial management system.

I would like to give you just a brief overview from a national perspective on these issues and then that will be followed by a local view provided by Mike Rogers, the Forest Supervisor on the Angeles National Forest.

First of all, the Forest Service consists of three components, the National Forest System where we manage more than 191 million acres of public land in the United States, under a multiple-use mandate; research and development where we conduct studies and provide scientific information related to the management, use and protection of all of the Nation's natural resources; and finally, State and private forestry, where we provide information, technical assistance, and financial assistance through the State foresters to help assure sound stewardship of the Nation's State and private forest lands.

The Forest Service operates under a number of mandates, including the Multiple-Use Sustained Yield Act of 1960, the National Forest Management Act of 1976, the Forest and Rangeland Renewable Resources Planning Act of 1974, the Forest and Rangeland Renewable Resources Research Act of 1978, and the Cooperative Forestry Assistance Act of 1978. We also operate under a number of environmental laws enacted to protect the Nation's environment, such as the Endangered Species Act, the Clean Water Act, the Clean Air Act, and the National Environmental Policy Act.

With over 28,000 full time employees and a total work force, particularly this time of year with fires season, of up to 43,000, the Forest Service's job is complex, as Mr. Chairman, you recognized in your opening comments. We often find ourselves caught in the midst of social change, shifting priorities, and oftentimes between conflicting political priorities. It is critical that we have sound business management practices to ensure that the monetary and human resources which are entrusted to us are used in a wise manner. We fully support and remain committed to the full implementation of all of the laws which define the Nation's environmental policies and our mandates.

I would first like to address the Recreation Fee Demonstration Program. First of all, just a little bit of background. Almost 95 percent of all Americans engage in some sort of outdoor recreation every year. The national forests are the largest single supplier of public outdoor recreation, posting 850 million visits in fiscal year 1997, and that number is growing, expected to be nearly a billion by the year 2000.

Congress authorized the Recreation Fee Demonstration Program in fiscal year 1996. The program authorized the Forest Service and the public land agencies, the Department of Interior, to test the collection, retention, and re-investment of new recreation admission and user fees on up to 100 projects in each agency. Before this program, the Forest Service was limited to charging user fees at a limited number of sites and could not retain collections for use at the charge sites or anywhere else in the National Forest System. We must meet our recreation objectives through creative and innovative approaches, such as a fee demonstration program, partnerships, and volunteers.

The Forest Service aggressively began implementing the program in June 1996. At the end of fiscal year 1997, receipts grossed over $8 million from the 40 projects ongoing in that initial year. An additional 52 projects will begin collection during this fiscal year and the next fiscal year in 28 States and in all of the Forest Service regions. In fiscal year 1997, the program provided a much needed $8.7 million for critical recreation investments and improved customer services.

The Forest Service strongly supports the Recreation Fee Demonstration Program as an essential part of meeting the increased demand for quality recreational facilities and services to the public. It is essential that base-level appropriations for recreation continue so that we can demonstrate a clear value added to the public for the fees they pay.

Based on survey results, the public generally accepts the fees as long as most of the money goes back to improve the area they are paying for. However, some very much dislike paying fees for what they have historically enjoyed for free. Acceptance is increasing over time as the public becomes aware of the program and begins to see positive results from the investments back into the areas that they are using.

Mr. Chairman, I strongly believe that long term implementation of the Recreation Fee Demonstration Program is necessary to keep up with the rapidly increasing demands placed on Federal recreation facilities. We will continue to evaluate the program through the testing period and share with you and the American public what we have learned.

About financial management, I know that you have heard, especially here this morning, some of the problems we face with our financial management systems and those are really only some. In fact, the chief testified in a historic joint committee hearing on March 26, specifically to address financial management and accountability in the agency. We clearly admit we have problems, we do take them quite seriously and we are taking significant actions to improve our financial management and accountability to Congress and the public, but as you heard this morning, we have a long way to go.

So far, we have implemented a major restructuring of the business operations of the Forest Service to give equal weight to the business side of it as we have given to the natural resource side. This includes hiring a chief operating officer from the private sector, a former CEO of a couple of corporations, and recruitment of

a chief financial officer to focus on all of the financial affairs of the agency.

We have reduced our work force by 15 percent, almost 25 percent in the national headquarters alone, consolidated administrative and business offices, developed public-private partnerships to deliver agency services for less money, and established customer service standards in order to reduce the costs of delivery of our programs.

The chief has announced a natural resources agenda for the 21st century that will focus the agency on high-priority actions and activities to improve health of the land and better define our multiple use program.

We are working with Congress to implement the Government Performance and Results Act of 1993. This includes implementing land-based and business management performance measures in every line officer's individual performance standards. We anticipate specific congressional oversight on our performance as outlined in our fiscal year 1999 annual performance plan, which is the first that anybody has produced—that also governmentwide—it is the first time the Government has produced strategic plans for every agency, and performance plans for every agency.

We are implementing an integrated accounting system, the Foundation Financial Information System, which when implemented will enable policymakers and managers to quickly find and understand the costs associated with specific activities. I will say, however, we have encountered major problems in the implementation of that and that is one of the reasons, as Mr. Meissner pointed out, we have been having difficulties meeting the performance standard we set for ourselves to have a clean financial report by the end of this next fiscal year.

We have issued a desk guide for financial management to inform Forest Service employees throughout the entire field structure of methods to record and organize information.

We are in the process of recruiting a limited number of highly qualified management personnel who will complement the excellent natural resource management skills of the agency with expertise in modern financial management practices, and we have established a business management team to review our budget and accounting activities and to recommend ways we can simplify and improve our business systems.

These ideas represent some of the recommendations given to us by Coopers & Lybrand, who the chief commissioned to help us respond to concerns raised by the General Accounting Office and the Office of Inspector General. We have been working closely, as has been said earlier, with the Office of Inspector General and the chief financial officer of the Department of Agriculture in improving our business management practices. We are open to other ideas too, and hope the committee will feel free to suggest changes that will improve efficiency and public service. Our goal is ultimately to bring dramatically improved accountability to the Forest Service.

Finally, I would like to talk a little bit about the Knutson-Vandenberg Fund. The K–V Fund was authorized by an act of Congress in June 1930. The act establishes a trust fund using deposits made by timber purchasers to reforest timber sale areas. The au-

thority has been expanded over the years to include eliminating unwanted vegetation on lands cut over by the purchaser and protecting and improving the future productivity of the renewable resources on the forest land within the sale area. This includes sale area improvement operations, maintenance, construction, reforestation, and wildlife habitat management. The K–V Act explicitly authorizes the Secretary of Agriculture to collect deposits to cover the cost to the United States of these activities.

In response to a 1996 General Accounting Office audit, the one referred to earlier, the Forest Service assembled a task force to find better ways to limit K–V expenditures for indirect costs to the amounts collected for this purpose and to achieve better consistency and standardization of indirect costs. The task force report was issued in November 1997 and we are taking the following actions to strengthen our business operations with respect to use of K–V funds.

First of all, we are instituting national standard definitions for indirect costs. We are clarifying and standardizing procedures for the calculation of equitable indirect charges consistent with how we deal with those indirect charges with our appropriated dollars. We are strengthening the linkage between K–V work planning and budget planning, so that we achieve a more direct tie between the sale area improvement plan and the K–V program of work. Finally, we are improving our internal oversight procedures.

We have been challenged in court on the legality of K–V assessments for overhead costs. On June 3, we filed in the U.S. District Court in San Francisco, a motion for summary judgment, in which we contend that the Forest Service may use K–V funds to pay for the program's indirect costs for three reasons. First, the necessary expense doctrine, a basic principle of appropriation law, authorizes the challenged expenditure. Second, the Forest Service's longstanding use of K–V funds for indirect costs has been expressly ratified by Congress' fiscal review agent, the Comptroller General, and implicitly accepted by Congress itself. Finally, appropriations law upholds the agency's discretion to choose between arguably available funding choices whereas here the agency has consistently adhered to its choice for a period of 50 years.

With your permission, I would like to submit for the record that motion for summary judgment.

Mr. HORN. Without objection, it will be inserted at this point in the record. We will be having some questions on that very point.

Mr. STEWART. Thank you.

[NOTE.—The information referred to is held in the subcommittee files.]

Mr. STEWART. The implementation of K–V projects on the ground involves the same kinds of people and resources that we need to implement projects using appropriated funds. Our policy simply says that the trust funds, such as K–V, should pay their equitable share of these costs, applying the same principles that we use to determine indirect costs for the discretionary programs. Indirect costs are a real and necessary part of getting the job done on the ground. However, we firmly intend to make significant improvements in our business procedures and to become more accountable in the use of these trust funds.

That concludes my prepared remarks and we would be glad to answer questions after Mike Rogers, the supervisor on Angeles, has an opportunity to address these same issues from a local context.

Mr. HORN. Well, thank you very much. Mr. Michael Rogers is the forest supervisor for the Angeles National Forest. Welcome.

[The prepared statement of Mr. Stewart follows:]

STATEMENT OF

RONALD E. STEWART, DEPUTY CHIEF
PROGRAMS AND LEGISLATION
FOREST SERVICE
UNITED STATES DEPARTMENT OF AGRICULTURE

before the
Committee on Government Reform and Oversight
Subcommittee on Government Management, Information, and Technology
United States House of Representatives
concerning

Management Practices on the Angeles, Wenatchee, and Okanogan National Forests

Bellflower, California
July 7, 1998

Wenatchee, Washington
July 9, 1998

MR. CHAIRMAN AND MEMBERS OF THE SUBCOMMITTEE:

Thank you for the opportunity to be here to discuss management practices of the Forest Service on the Angeles, Wenatchee, and Okanogan National Forests (NFs). I am accompanied by Michael J. Rogers, Forest Supervisor on the Angeles NF, Sonny O'Neal, Forest Supervisor on the Wenatchee NF, and Samuel Gehr, Forest Supervisor on the Okanogan NF.

The focus of this hearing is to discuss issues related to financial management, the Knutson-Vandenberg (K-V) Fund, recreation and the recreation fee demonstration program, and below cost timber sales. I view this hearing as a good opportunity to share with you the steps that this agency has taken to address these particular programs and activities and to explain how particular systems work. Mr. Chairman, I believe we share the common view of maximizing the public benefits of each dollar that this agency spends for land management, research, private land assistance, and other Forest Service authority. I will begin with a brief overview of the agency

and provide a national perspective on these issues, followed by a local view from the Forest Supervisor(s), and then we will respond to your questions.

Overview

The Forest Service consists of basically three components: the National Forest System, where we manage more than 191 million acres of public lands in the United States, Research, where we conduct studies and provide scientific information related to forest resources, and State and Private Forestry, where we provide information and technical and financial cost-sharing assistance to help assure sound stewardship and use of the vast state and private forest lands of the United States. Caring for the land and serving people is our motto and the foundation of everything we do.

The National Forest System lands are managed in accordance with the Multiple-Use Sustained Yield Act of 1960 (MUSYA), the Forest and Rangeland Renewable Resources Planning Act of 1974 (RPA), and the National Forest Management Act of 1976 (NFMA), among others. Forest Service programs operate under additional environmental laws that were enacted to protect specific natural resources, including the Endangered Species Act, the Clean Water Act, the Clean Air Act, and other laws such as the National Environmental Policy Act (NEPA). We fully support and remain committed to the full implementation of these laws, which define the nation's environmental policies.

With over 28,000 full-time employees, peaking to over 43,000 with our summer seasonal employees, the Forest Service's job is quite complex. We often find ourselves caught in the midst of social changes, shifting priorities, and political crosscurrents. It is critical that we have sound business practices to ensure that the monetary and human resources which are entrusted to us are used in a manner that not only supports the agency's mission, but does so in a way that is efficient, productive, and cost effective.

Recreation and the Recreational Fee Demonstration Program

Every year, almost 95 percent of all Americans engage in some sort of outdoor recreation. As the largest single supplier of public outdoor recreation, the National Forest System hosted over 850 million visits to its national forests and grasslands in fiscal year 1997 and trends indicate that use of the National Forest System will continue to grow. People are drawn to the national forests because of their varied recreational opportunities. Demands for recreation opportunities are becoming increasingly complex. Forest visitors are not only increasing in numbers but consist of individuals from varied ethnic, social, and economic backgrounds. To meet this demand and protect America's recreation resources, we need more specialized resources to provide the quality experiences our visitors expect. Our fiscal year 1999 recreation budget requests have increased along with the recreation demand by the public. However, past appropriations have generally remained static. We must meet our recreation objectives through creative and innovative approaches. An example of this type of approach is the Recreational Fee Demonstration Program (RFDP).

Congress authorized the landmark RFDP in fiscal year 1996 through enactment of the Omnibus Consolidated Appropriations Act for fiscal year 1996. The RFDP authorized the USDA Forest Service, and the National Park Service, U.S. Fish and Wildlife Service, and the Bureau of Land Management of the Department of the Interior to test the collection, retention, and reinvestment of new recreation admission and user fees on up to 100 projects in each agency. Before the RFDP, the Forest Service was limited to charging recreation use fees at a limited number of sites and could not retain collections for use at sites or elsewhere in the National Forest System. This new authority was a major positive development, and an exciting, departure from historical practice. Initially, the RFDP authority allowed agencies to retain all of the new fees in excess of a fiscal year 1995 base figure, with 80 percent of the retained fees to be used at the sites where they were collected, and 20 percent to be distributed nationally to any site under the jurisdiction of the collecting agency. However, the fiscal year 1998 Interior and Related Agencies Appropriations Act allowed the agencies to retain all recreation fee revenues from the fee demonstration projects, not just the revenues in excess of the fiscal year 1995 collections, greatly

increasing our ability to improve recreational sites and services. The demonstration authority expires at the end of fiscal year 1999, with receipts being available to complete projects through September 30, 2002.

The Forest Service began to implement the RFDP aggressively in June, 1996, as indicated in the interagency report provided to Congress in January 31, 1998. At the end of fiscal year 1997, with 40 projects collecting funds, receipts from the RFDP grossed well over $8 million. An additional 52 projects will begin collections later in fiscal years 1998 and 1999. Projects are being tested in 28 states in all regions of the country, including Puerto Rico.

From fiscal year 1994 to fiscal year 1998 the agency's recreation budget averaged $217 million annually, but total annual needs for operation, maintenance, backlog reductions, and capital investments were much higher, as they are today. In fiscal year 1997, the recreational fee demonstration program provided a much needed $8.7 million to address critical resource needs and enhance customer services. We expect the fees collected to increase significantly this year, to nearly $20 million.

For these reasons, the Forest Service strongly supports the recreation fee demonstration program (RFDP), an essential part of meeting the increased demand for quality recreation facilities and services to the public. It is critically important that base-level appropriations funding continue in conjunction with the RFDP so the Forest Service can demonstrate a clear added value to the public for the fees that they pay.

Based on survey results, overall, the public accepts the fees as long as most of the money goes back to improve the area they are paying for. Of course, some people very much dislike paying. Acceptance is increasing over time as people become more aware of the program and adjust to paying the new fees. They are also beginning to see positive results as the fees are being spent on local projects.

Mr. Chairman, I strongly believe that long-term implementation of the RFDP is necessary to keep up with the rapidly increasing demands placed on federal recreation facilities. We have had many successes, and we will see many more as we complete our second year of this important program. We continue to listen and discover ways to improve the program. We will continue to evaluate results during the testing period, and share what we have learned with you and the American public.

Financial Management

Mr. Chairman, you have heard of some of the problems we face with our financial management systems in the Forest Service. In fact, the Chief testified before a joint committee hearing on March 26, 1998, to address specifically financial management and accountability in the agency and what measures we were taking to correct some of the problems. These concerns are taken seriously and action has been taken to address them. Let me share what we have done and are in the process of doing to address these concerns.

1) We are implementing a major restructuring of the business operations of the Forest Service. We have a Chief Operating Officer who is responsible for the financial and operational health of the agency and an Associate Chief for Natural Resources who will be responsible for the health of the land. We will also hire a Chief Financial Officer to focus on all financial affairs of the agency.

2) As part of the Administration 's Reinvention Initiative, the Forest Service has reduced its workforce by 15%, which includes a higher reduction in the Washington office, consolidated administrative offices at the supervisor and the district ranger levels, developed public-private partnerships to deliver agency services for less money, and established customer service standards. One specific example is reducing overhead costs by moving our public information office from downtown Seattle to the Recreational

Equipment Incorporated Building, which the Vice President recognized with a Golden Hammer Award, for our partnership with the private sector.

3) The Chief announced a Natural Resource Agenda for the 21st Century that will be implemented with land-based performance measures. We intend to develop a structure so that employees will be held accountable for the actual accomplishments and measurable results in the field. Combined with other financial reforms, we will have a better understanding of how much it costs to achieve certain results.

4) We are developing a GPRA strategic plan. The plan will follow the principle and goals described in the Natural Resource Agenda. We are also initiating expanding our forest health survey and monitoring work to cover all aspects of ecosystem health and integrity. In this manner, the cost effectiveness and progress towards achieving environmental goals can be better evaluated.

5) We are implementing an integrated accounting system, Foundation Financial Information System (FFIS), which will enable policy makers and supervisors to quickly find and understand the costs associated with specific activities. FFIS will ultimately reduce the amount of time Forest Service employees spend entering and interpreting data, and increase the amount of time they spend making and implementing sound resource decisions.

6) We have issued a desk guide for financial management to inform Forest Service employees throughout the entire field structure of methods to record and organize information. We intend to update this desk guide as our new systems develop. The primary benefit today is national consistency so that we will have a better data base from which to make decisions.

7) We intend to recruit a limited number of highly qualified management personnel with expertise in modern financial management practices and structures who will complement the excellent resource management skills of the agency. We need to replenish the shortage of skilled financial managers in the agency caused by the downsizing effort. We do not intend to maintain a larger workforce, and thus higher overhead, in the long-term.

8) We have established a business team to review our budget and accounting activities and to recommend how we can simplify and improve our business systems. This group of employees from across the agency will focus on simplicity, timely and accurate financial information, accountability between expenditures and benefits, and public service. One of the team 's objectives is to develop a consistent definition of overhead. Our goal is to increase the precision, clarity, and comprehensibility of Forest Service budget and accounting data to generate increased trust among the users and the public.

These changes represent some of the ideas and recommendations in the Coopers and Lybrand report which the Chief commissioned last year, and respond to some of the concerns raised by the General Accounting Office (GAO). We are open to other ideas, too, and including those from the Committee that will improve efficiency and public service.

Our goal is to bring dramatically improved accountability to the Forest Service. We can assure you that we will continue to work with the GAO and with Congress to improve our business operations and to be more accountable for the resources we manage.

Cooperative Work Knutson-Vandenburg Fund

The K-V fund, authorized by the Act of June 9, 1930, is a trust fund that uses deposits made by timber purchasers to reforest timber sale areas. In addition to planting, these deposits may also be used for eliminating unwanted vegetation on lands cut over by the purchaser and for protecting and improving the future productivity of the renewable resources on forest land in the sale areas, including sale area improvement operations, maintenance, construction, reforestation,

and wildlife habitat management. The K-V Act explicitly authorizes the Secretary of Agriculture to collect deposits to cover the cost to the United States of these types of activities.

In response to a 1996 General Accounting Office (GAO) audit, the Forest Service assembled a task force for the purpose of finding ways to better limit K-V expenditures for indirect costs to the amounts collected for this purpose and to achieve better consistency and standardization of indirect cost. The task force issued its final report last November with an action plan implementing nine actions. Let me highlight several actions which I believe will help us strengthen our business operations in these areas. We are now:

- instituting standard national definitions for indirect costs for use throughout the Forest Service;

- clarifying our procedures for the calculation of equitable indirect charges and instituting these procedures throughout the Agency;

- strengthening the linkage between our K-V work planning using the Sale Area Improvement Plan and our budget planning process so that we achieve a more direct tie between the SAI Plan and our K-V program of work; and

- improving our oversight procedures and expanding the participation of our review teams to ensure that the business functions are better represented in our management reviews.

We have been challenged in court on the legality of K-V assessments for overhead costs. On June 3, 1998, we filed in the United States District Court in San Francisco, CA, a motion for summary judgement in which we contend, that "...the Forest Service may use K-V funds to pay for the program's indirect costs for three reasons. First, the necessary expense doctrine, a basic principle of appropriation law, authorizes the challenged expenditure. Second, the Forest Service's longstanding use of K-V funds for indirect costs has been expressly ratified by Congress's fiscal review agent, the Comptroller General, and implicitly accepted by Congress itself. Third, appropriations law upholds the agency's discretion to

choose between arguably available funding choices where as here the agency has consistently adhered to its choice."

The implementation of K-V projects on the ground involves the same kinds of people and resources that we need to implement projects using appropriated funding sources. We need computers to plan the programs and keep track of the K-V project activities. We need decision makers to determine which K-V projects should be the highest priority for funding when K-V funds are scarce. We need our business management experts to determine the financial health of the K-V fund and develop an orderly K-V program of work. All of these people need office space to do their work in. So, our policy simply says that the trust funds, like K-V, should pay their equitable share of these costs applying the same principles that we use to determine equities for discretionary programs.

We cannot eliminate these costs, as they are a real and necessary part of getting the job done. But, we firmly intend to make material improvements in our business procedures and to be accountable so that the Administration and Congress can together decide how the Forest Service can maximaze public benefits on the national forests. We are reviewing different budget structures, including different treatments of overhead costs.

Below-Cost Timber Sales

National Forest timber sales have always served multiple purposes. Timber sales helped build homes and railroads for a young growing nation, and helped pay for forest rangers who were taking care of vast remote stretches of forests and rangelands.

Today, Americans place a higher priority on sustainability and environmental protection. The Forest Service's objective is the protection and restoration of the health of the land. You can't measure the value of stewardship strictly in dollars and cents. Resource stewardship costs on the national forests are frequently borne by the forest management program.

In the early 1980's the issue of below-cost timber sales began to emerge as a concern to the public because it appeared that revenues generated by individual timber sales on many national forests did not cover the costs of their preparation and administration. Some members of the public and some Members of Congress at the time believed that the timber sale program needed to pay for itself. In the conference committee report that accompanied the fiscal year 1985 interior appropriations act, the Forest Service was directed to develop a "reasonable but complete system...that should allow for identification of the costs of the timber sale program, by component, and allow for a comparison of actual costs and benefits." The Forest Service worked with the General Accounting Office (GAO) to expand the Forest Service accounting system and create the timber sale program information reporting system (TSPIRS). GAO found, in 1990, that the system had been developed, and was being implemented, as intended by Congress. This system measures the cost for land management and harvest associated with timber sales. It does not measure efficiency, and it does not measure subsidies.

This year's TSPIRS report shows that essentially half of the timber sale program was targeted at accomplishing various land stewardship objectives and not at producing wood fiber except as a by-product. While people have different perspectives and opinions about how the Forest Services applies land stewardship on the ground, there is general support for reducing wildfire impacts, restoring old growth characteristics, protecting native species diversity, and managing pests as best we can. We are paying for these treatments from wildlife, watershed, or vegetation management funds, but in many cases, this work is getting done by using timber sales. Our experience suggests that because of the revenues they generate, timber sales, even some that may be below-cost, are oftentimes the "least net cost" -- cost incurred compared to revenues received -- means of attaining many of our land stewardship goals.

In FY 1997, 4.0 billion board feet (BBF) of national forest timber was offered, 3.7 BBF was sold, and 3.3 BBF was harvested. These offered, sold, and cut volumes are similar to the 1996 program. Of the total volume harvested in FY 1997, 52 percent was for timber commodity purposes, 40 percent for forest stewardship, and 8 percent for personal use. In FY 1993, when

TSPIRS first began to recognize the different categories of sales, 71 percent of harvest volume was for timber commodity, 23 percent for forest stewardship, and 5 percent for personal use. These numbers reflect changing trends in the timber sale program that I described earlier.

A new factor that has had a major effect on the profitability of our timber sale program in FY 1997 was a change in accounting procedures applicable to "road prism" costs. These are costs that are associated with constructing a road's underlying foundation, or "bed." In the past, because the Federal Government did not have an accounting standard that addressed how these costs should be treated, "generally accepted accounting principles" (GAAP) used by the private sector were applied. Consistent with these principles, road prism costs were not written-off, but were permanently capitalized into land values. Recently, however, the Federal Accounting Standards Advisory Board (FASAB), who develops generally accepted accounting principles for Federal agencies, put forth a broad array of new accounting standards, one of which pertains to the treatment of road prism. This new standard provides that instead of being permanently capitalized, these costs should be annually expensed. Beginning in FY 1997, TSPIRS financial statements recognized road prism costs as an annual timber program cost. In FY 1997, these costs alone totalled $51.4 million.

Overall, our forest management program lost $88.6 million last year. By comparison, the FY 1996 loss was $14.7 million. We feel strongly, however, that the true measure of our forest management program is not simply the volume of timber taken from the land, but also the health of the forest left behind. This suggests a strict/profit loss statement is not a true reflection of the program's value. National Forest timber sales provide many benefits beyond the revenues they generate. These additional benefits are economic, ecological, and social in nature. Illustrative of the economic and social benefits are the jobs created, the regional income produced, and more stable rural communities. Illustrative of the ecological benefits are healthier amd more fire-resistant forest stands, and ecosystems that are sustainable because they are maintained within their historic range of variability.

Closing

As we previously stated, our programs are quite complex and we know that we have a lot of work to do to correct business systems and to be more accountable to the public for our actions. We continue to adhere to the recommendations of the General Accounting Office to improve our operations. We appreciate the oversight of Congress through hearings such as this one today to allow us the opportunity to share what we are doing and to also hear from those who might not be pleased with how we conduct business. We will make every effort to carry out our mission of caring for the land and serving people.

After you have heard from the Forest Supervisor(s), we will take your questions.

Mr. ROGERS. Thank you, Mr. Chairman and Mr. Davis. I appreciate the opportunity to be here and I value the field hearings that you are holding.

Deputy Chief Ron Stewart has given you an overview of the Forest Service and the laws and regulations by which we manage the land. I am responsible for the overall management of the Angeles National Forest, which was created on December 20, 1892, as the San Gabriel Timberland Reserve by President Benjamin Harrison for protection of the Los Angeles water supply. It was the first forest reserve established in the State of California and the eighth nationally.

Today, in addition to providing 35 percent of the local water supply, the Angeles National Forest serves as the backyard for over 15 million people in the Los Angeles Basin and boasts over 30 million visitors a year, more than Yellowstone, Sequoia/Kings Canyon, and Yosemite National Parks combined. As you sit here today in this room, you could be enjoying the beauty of this very urban national forest in less than an hour's drive just to the north of this location. You can well appreciate how it serves the recreational desires of millions of people in the Los Angeles area.

Let me address a few specifics of the various issues identified, and then I would be happy to address questions.

The recreation program on the Angeles National Forest is the predominant use of the forest, which I said earlier receives over 30 million visits a year. Recreation management of the forest is characterized not only by high use, but by a number of complicating factors. Most of the Los Angeles County residents are within 1 hour's drive from the forest and predominantly use the forest for day trips. Over a third of the forest boundary is shared with suburban homeowners. Because the forest is close to area residents and is used primarily for day trips, many visitors are not prepared for the hazards and changes in weather conditions they often encounter. Proximity and high use intensify the number of emergency incidents, violations, and crimes on forest land. Because of the ruggedness of this forest, the recreating public looks to a relatively small number of useable acres for numerous, often non-compatible uses. Today, many cultures utilize the forest for recreation, requiring managers to understand the values and needs of many different groups. Southern California's weather allows for year-round use of most of the forest.

The Angeles provides 878 miles of trails, 66 campgrounds, 36 picnic areas, boating on three lakes, fishing on five lakes, five ski areas, 618 recreation summer home cabins, two concessionaire operated shooting areas, five visitor centers—we call them discovery centers, three forest entrance stations, and three off-highway vehicle recreation areas, as well as opportunities for hunting, fishing, and sightseeing across the forest.

Providing recreational opportunities is increasingly expensive. Massive use requires stadium-style maintenance to maintain the facilities to standard. Facilities wear out fast, and in addition to receiving heavy use, they are often heavily vandalized. Recreation on the Angeles is a high-volume, high-cost program. As requirements and the need for administrative procedures, environmental analyses, law enforcement, legal assistance, appeals, and the Freedom

of Information Act requests increase, the cost of doing business escalates. To put it quite simply, less dollars get to the ground as services to the recreating public. The high cost of providing services coupled with declining budgets has made it more and more difficult to meet the demands of an increasing population.

Appropriated funding for the Angeles National Forest recreation program has dropped from $4.1 million in 1991 to $2.5 million in fiscal year 1997. Since the mid-1980s, the forest has utilized alternative methods of providing services to the public. Concessionaires run the major campgrounds; volunteers and interpretive associations operate our visitor centers and maintain trails; cooperators educate first-time visitors and clean up high-use canyons; and State grants fund off-road vehicle facilities. Even with all these major programs, the overall level of services continues to decrease annually.

General recreation costs for clean up, dump fees, toilet pumping, general information, and repair and maintenance of smaller sites do not lend themselves to alternative funding mechanisms. To cover the costs of general recreation, the forest needs expanded fee authority.

I would like to talk, Mr. Chairman, just briefly about the Recreation Fee Demonstration Program as we have experienced it on the Angeles. The Angeles National Forest, along with three national forests in southern California—the Cleveland, Los Padres and San Bernardino—formed the Enterprise Forest concept to explore ways to utilize entrepreneurial methods to improve services. The Enterprise Forest uses Recreational Fee Demonstration Programs authority to improve general recreation services across southern California.

The Enterprise Forest developed a recreational fee demonstration project called the National Forest Adventure Pass, which is based on the premise that all national forest recreational experiences have a basic value. The project tests whether the fees paid will result in improvements on the ground and improved customer satisfaction.

Forest recreationists are required to display an Adventure Pass on their vehicle while recreating in the four southern California National Forests. The Adventure Pass is sold at Forest Service offices and by over 385 private vendors. Revenues from Pass sales are invested in improved services to the recreating public.

A business plan was prepared to outline the mechanics of the Pass program, describe the communications planning effort and provide the financial analysis. The financial analysis was prepared by the Forest Service and Dr. Jerrell Richer, Assistant Professor of Economics at California State University, San Bernardino. This financial analysis developed a framework for estimating net revenues. An initial survey determined the optimal price combination for daily and annual passes. That price combination, along with survey-based projections of how many visitors would purchase daily versus annual passes, use projections, cost projections and historical compliance rates, provided the analysis necessary to plot costs versus revenues by quarter.

The communications and marketing plan addressed the methods and schedule for introducing the Adventure Pass to employees, for-

est users, community leaders, national organizations, elected officials, tribal governments, permittees, cooperators, and the general public.

The Adventure Pass Program is a success in its first year of implementation. Actual costs and revenues have tracked projections, except for during the winter when revenues were lower due to El Nino weather conditions. To date, the Angeles has received $405,604 to invest in improved services.

The majority of the public has voiced its support of the National Forest Adventure Pass. Surveys have shown that 46 percent feel they are better off with the Adventure Pass, 20 percent are not sure and 12 percent feel they are worse off. The 12 percent of visitors surveyed who felt they were worse off, generally oppose paying for services they felt should already be covered by their taxes. The Angeles National Forest has not encountered any organized or widespread opposition to the program. In fact, numerous letters of support have been received by the forest as well as lots of positive comments to our field personnel.

The cornerstone of support, as determined by survey responses, is the commitment that the revenues are returned to where they were collected and that Congress nor the agency offsets the appropriated funding by the revenues brought in. If that premise disappears, then the program is going to go down the toilet.

Survey participants stated that the improvements they wanted most were more and cleaner restrooms, more trash facilities, better protection of the environment, better trail maintenance and more visitor information. On the Angeles National Forest, net revenues have been used to clean restrooms more frequently, to repair and paint restrooms and to rent more portable toilets and trash dumpsters. Net revenues have also increased trash pick ups, funded graffiti removal, funded trail maintenance, extended visitor center hours, purchased informational signs, hired field employees to assist visitors, funded installment of bear-proof trash bins, increased patrols, and funded minor repairs of picnic areas and campground facilities.

I have got a report of accomplishments that we have done with the funding that I would like to submit for the record.

Mr. HORN. Without objection, it will be included at this point in the record.

[The information referred to follows:]

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Date: July 29, 1998

Congress of the United States
House of Representatives
Committee on Government Reform and Oversight
Subcommittee on Government Management, Information and Technology
ATTN: Matthew Ebert
Room B 373
Rayburn House Office Building
Washington D.C. 20515

Dear Mr. Ebert:

Thank-you for the opportunity to speak at the hearing on "Oversight of the Management Practices at the U.S. Forest Service" on July 7th. After listening to the other speakers, I wanted to submit additional information for the record.

I would like to address three issues that were raised at the hearing:

1. Level of support or opposition for the Recreation Fee Demonstration Program, or specifically, the National Forests Adventure Pass program in southern California,

2. Cost of providing open space opportunities, and

3. Cost of the Adventure Pass program.

1. Level of Support or Opposition to the Adventure Pass program

I have enclosed the cummulative results from quartely surveys conducted in fall 1997, winter 1998 and spring 1998 by Dr. Jerrell Ross Richer, Assistant Professor of Economics at California State University, San Bernardino. The survey results represent a sample of 1,342 visitors at 90 ramdomly selected locations across the four southern California Forests, i.e., the Mexican border to Monterey County.

My reason for submitting the survey results for the record is to demonstrate that although a number of speakers at the hearing expressed opposition to the program, and cited that the public in general opposed the program, only 12-13% of our surveyed visitors answered survey questions in a way that indicates opposition. On question #13 in the enclosed survey, 13% answered that they

would not buy an Adventure Pass next year. 12% answered survey question #17 that the Adventure Pass program slightly or greatly diminished their recreation experience. 12% answered survey question #18 that they were worse off because of the Adventure Pass Program.

Many speakers at the hearing visited the Los Padres National Forest. 25 of the locations surveyed were on the Los Padres National Forest, which includes the Santa Barbara and Ojai areas.

Although I would like to see 100% of the survey participants express support for the Adventure Pass Program, I am pleased to report that only 12-13% indicate opposition.

2. Cost of Providing Open Space Opportunities

Speakers at the hearing stated that the recreation opportunities desired were simply hiking or enjoying the open space without the benefit of facilities, and therefore, additional funds were not necessary.

When tens of millions of visitors simply enjoy the open space or take a stroll in the Forest, there are major impacts and high costs to provide safe opportunities and to protect the environment.

Some Adventure Pass investments extend hours of operation at visitor centers or operate, maintain and repair campgrounds and picnic areas. The majority of investments, however, provide assistance to visitors in the Forests, pick-up trash, remove graffiti, provide additional portable toilets, clean the existing toilets more frequently, maintain trails and provide information and signage.

These investments not only directly provide services to visitors, but protect the natural environment by educating visitors on the proper use of the Forest and by cleaning trash and providing sanitation facilities. In addition, field personnel providing services to the public are extinguishing abandoned campfires and correcting hazardous situations as they see them.

3. Cost of the Adventure Pass Program

Costs of the program detailed by speakers at the hearing do not reconcile with the budget data for the project.

As of March 31, 1998, $1,755,581 has been collected. Of the total dollars collected, $87,779 has been reserved for the 5% agency fund, per the legislation; $125,000 has been collected from vendors for passes that have not yet been sold to the public; $522,334 has been spent on salary, operating costs, signage and printing as a cost to run the program; and $1,020,073 has been distributed to the Forests for improved services to the public at the ground level.

I personally support the Adventure Pass program as a means of continuing to provide the services the public needs and wants. After a year of operation, we have collected enough revenues to cover costs and return most revenues to the ground for improved services the public asks for. Most importantly, our surveys show that our public is willing to invest in their Forests.

Please contact myself, Susan Swinson, Deputy Forest Supervisor, Raina Fulton, Recreation and Lands Officer, or Gail Wright, Public Affairs Officer for further information at (626) 574-1613.

Sincerely,

MICHAEL J. ROGERS
Forest Supervisor

Enclosure

Jerrell Ross Richer, Ph.D.
Department of Economics
California State University, San Bernardino

1. Which of the following activities are you doing on this visit to the National Forest? *(Circle all your activities)*

ITEM RESPONSE: **94%** OF SAMPLE, OR 1,268 RESP'S

A. Picnic/Barbecue	**30%**	382
B. Driving for Pleasure	**25%**	311
C. Hiking	**46%**	585
D. Running	**4%**	47
E. Camping	**20%**	259
F. Watching Wildlife	**24%**	299
G. Swimming/Waterplay	**13%**	160
H. Photography	**16%**	206
I. Fishing	**11%**	134
J. Birdwatching	**9%**	108
K. Mountain Biking	**9%**	109
L. Road/Tour Biking	**1%**	16
M. Horseback Riding	**2%**	27
N. Off-Highway Vehicle (OHV): 4-Wheel Drive Truck	**4%**	55
O. Off-Highway Vehicle (OHV): ATV	**2%**	23
P. Off-Highway Vehicle (OHV): Motorcycle	**6%**	78
Q. Backpacking	**8%**	105
R. Target Shooting	**4%**	49
S. Hunting	**5%**	59
T. Rock Climbing	**4%**	52
U. Snowplay	**8%**	104
V. Other (please specify) _____	**14%**	175
TOTALS:	**264%**	3,343

SURVEY INSTRUMENT
AND SUMMARY STATISTICS
Su/Fa 1997, Wi 1998 Full Sample: n=1,342

ADVENTURE PASS
MONITORING PROGRAM

Jerrell Ross Richer, Ph.D.
Department of Economics
California State University, San Bernardino

2. How much time did it take you to drive here? ITEM RESPONSE: **98%** OF SAMPLE, OR 1,315 RESP'S

_____ hours _____ minutes (*Your travel time, one-way*)

			HIGHEST	5,040	ST. DEV. = 151.01
AVERAGE MINUTES =	85.53	MEDIAN = 60	LOWEST	1	MODE = 60

3. How many people came in your vehicle, including yourself? ITEM RESPONSE: **99%** OF SAMPLE, OR 1,323 RESP'S

_____ (*The total number of people in your vehicle*)

			HIGHEST	20	ST. DEV. = 1.98
AVERAGE NUMBER =	3.20	MEDIAN = 3.00	LOWEST	1	MODE = 2

4. How long will your visit be? ITEM RESPONSE: **97%** OF SAMPLE, OR 1,307 RESP'S

____ hours (*The length of your visit to this forest*)

			HIGHEST	672	ST. DEV. = 31.97
AVERAGE HOURS =	15.20	MEDIAN = 5	LOWEST	0.08333	MODE = 4

5. How would you describe your group? (*Circle all that apply*) ITEM RESPONSE: **96%** OF SAMPLE, OR 1,290 RESP'S

A. Solo	13%	162
B. Friends	39%	501
C. Family	54%	691
D. Youth Group	2%	31
E. School Group	1%	10
F. Church Group	3%	36
G. Conservation Organization Group	1%	10
H. Other (please specify) _____	3%	34
TOTALS:	114%	1,475

Jerrell Ross Richer, Ph.D.
Department of Economics
California State University, San Bernardino

As you probably know, you are currently in a "National Forest." This area is managed by the U.S. Forest Service, which is responsible for providing recreational opportunities to millions of people like you while protecting the area for future generations.

We would like your opinion on the best ways to maintain and improve this National Forest.

6. Which three (3) of the following items are most important to you? (*Circle no more than 3 choices*)

ITEM RESPONSE: **95%** OF SAMPLE, OR 1,272 RESP'S

[NOTES: (1) THESE CHOICES ARE RANDOMLY SHUFFLED; (2) EXACTLY 3 VOTES PER RESPONDENT]

A. Less Crowded PLACES TO RECREATE	31%	396.3	**10%**
B. More ACTIVITIES FOR CHILDREN	16%	203.0	**5%**
C. More RECYCLING BINS	14%	180.9	**5%**
D. Improved SECURITY AND PATROL	13%	159.6	**4%**
E. Better-Maintained ROADS	14%	174.3	**5%**
F. Better INFORMATION (e.g. signs, maps)	20%	260.2	**7%**
G. More and Cleaner RESTROOMS	40%	503.1	**13%**
H. New RANGER PROGRAMS (e.g. nature walks)	6%	82.2	**2%**
I. Better TRAILS	21%	272.6	**7%**
J. More PARKING PLACES	15%	193.6	**5%**
K. More frequent TRASH REMOVAL	16%	209.3	**5%**
L. Better protection of the NATURAL ENVIRONMENT	40%	511.3	**13%**
M. NOTHING. I am satisfied with things as they are.	36%	462.9	**12%**
N. Other (*please specify*) _____	16%	206.9	**5%**
_____			
_____			
TOTALS:	300%	3,816	**100%**

This is a map of the four National Forests in Southern California (the Angeles, Cleveland, Los Padres and San Bernardino National Forests).
[INSERT MAP HERE]

7. How many years ago did you first visit one of these four National Forests for recreation?

ITEM RESPONSE: **92%** OF SAMPLE, OR 1,241 RESP'S

_____ years ago (*Write the number of years since you first visited a National Forest in Southern California*)

			HIGHEST	62	ST. DEV. = 13.76
AVERAGE YEARS = 14.56	MEDIAN = 10		LOWEST	0	MODE = 1

8. How many times <u>last year</u> (1996, 1997) did you visit one of these four National Forests for recreation?

ITEM RESPONSE: **92%** OF SAMPLE, OR 1,240 RESP'S

_____ times (*Write the number of times you visited a National Forest in Southern California to recreate in 1996*)

			HIGHEST	350	ST. DEV. = 31.20
AVERAGE TIMES = 13.71	MEDIAN = 5		LOWEST	0	MODE = 0

9. During which seasons did you visit <u>last year</u> (1996, 1997)?
(*Circle all that apply*)

ITEM RESPONSE: **93%** OF SAMPLE, OR 1,244 RESP'S

A. Winter (January through March, 1996, 1997)	**49%**	614
B. Spring (April through June, 1996, 1997)	**55%**	682
C. Summer (July through September, 1996, 1997)	**68%**	840
D. Fall (October through December, 1996, 1997)	**48%**	592
TOTALS:	**219%**	2728

SURVEY INSTRUMENT
AND SUMMARY STATISTICS

Su/Fa 1997, Wi 1998 Full Sample: n=1,342

ADVENTURE PASS MONITORING PROGRAM

Jerrell Ross Richer, Ph.D.
Department of Economics
California State University, San Bernardino

In the past, the federal government provided the only source of money to manage forests like these. However, these funds are being cut and the Forest Service is running out of money to protect this area and improve your recreational opportunities.

One way to help pay for management of the forests is to require visitors like you to buy an **Adventure Pass** for your vehicle.

The Adventure Pass must now be displayed on your car, truck or motorcycle when you park and recreate here. It costs $5 per day or $30 for twelve months. It is transferable between your vehicles and allows you to recreate in all four National Forests in Southern California.

The money you pay will be used in the National Forests that you visit to improve your recreational opportunities. For example, it may be used to clean the restrooms more often, protect the natural environment, etc.

Field Compliance Check
924 vehicles, or
69% of the sample,
were checked for compliance.

Vehicles with:		
Daily Passes	20%	182
Annual Passes	18%	168
None	62%	574
Totals	100%	742

10. Did you buy an Adventure Pass for your visit here? ITEM RESPONSE: **96%** OF SAMPLE, OR 1,282 RESP'S

			As a % of "No" responses		As a % of All responses	
A. Yes, I bought a daily Adventure Pass (for $5) at: *(please write the exact location where you purchased it)* _____	17%	218				
B. Yes, I bought an annual Adventure Pass (for $30) at: *(please write the exact location where you purchased it)* _____	23%	290				
C. No, because *(please circle the reason(s))*	61%	776				
1. I didn't know about the Adventure Pass.			70%	525	42%	525
2. I didn't know where to buy one.			25%	189	15%	189
3. I cannot afford it.			5%	38	3%	38
4. Other *(please specify)* _____ _____			19%	142	11%	142
TOTALS:	100%	1284	119%	894	71%	894

Jerrell Ross Richer, Ph.D.
Department of Economics
California State University, San Bernardino

11. Think about next year. If you purchased daily Adventure Passes next year (for $5 each), about how many times would you likely visit a National Forest in Southern California?

ITEM RESPONSE: 71% OF SAMPLE, OR 953 RESP'S

_____ times (*Write the number of times you might visit next year if you bought daily Adventure Passes*)

			HIGHEST	360	ST. DEV. = 19.66
AVERAGE TIMES =	8.53	MEDIAN = 4	LOWEST	0	MODE = 2

12. If, instead of daily Passes, you purchased an annual Pass next year (for $30 for 12 months), about how many times would you likely visit a National Forest in Southern California?

ITEM RESPONSE: 79% OF SAMPLE, OR 1,064 RESP'S

_____ times (*Write the number of times you might visit next year if you bought an annual Adventure Pass*)

			HIGHEST	365	ST. DEV. = 30.97
AVERAGE YEARS =	17.69	MEDIAN = 10	LOWEST	0	MODE = 10

13. Which of these Adventure Passes, a $5 daily or a $30 annual, will you most likely buy next year?

ITEM RESPONSE: 92% OF SAMPLE, OR 1,240 RESP'S

A. A daily Adventure Pass for $5.	28%	351
B. An annual Adventure Pass for $30.	59%	728
C. None, because (*please explain*) _____	13%	162
TOTALS:	100%	1241

14. Did you know about the Adventure Pass program before you read about it in this questionnaire? ITEM RESPONSE: **96%** OF SAMPLE, OR 1,289 RESP'S

			As a % of "Yes" responses		As a % of All responses	
A. Yes, I learned about it through (*circle all that apply*):	**52%**	673				
1. Television			**8.1%**	54	4%	54
2. Radio			**4.4%**	29	2%	29
3. Newspaper			**23.9%**	158	12%	158
4. Vendor (Store, Gas Station, etc.)			**5.9%**	39	3%	39
5. Friends/Family			**25.5%**	169	13%	169
6. Forest Service Sign			**34.1%**	226	18%	226
7. Forest Service Employee			**25.1%**	166	13%	166
8. Forest Service Warning Notice on Vehicle			**5.8%**	15	2%	15
9. Other (*please specify*) ____			**10.1%**	67	5%	67
			143%	923	73%	923
B. No, I was not aware of the Adventure Pass.	**48%**	616				
TOTALS:	**100%**	1289				

15. How convenient is it to buy an Adventure Pass? ITEM RESPONSE: **92%** OF SAMPLE, OR 1,240 RESP'S

A. It is very convenient	**27%**	340
B. It is somewhat convenient	**20%**	244
C. It is not convenient	**16%**	198
D. I am not sure how convenient it is	**37%**	458
TOTALS:	**100%**	1240

16. Have you noticed any improvements in this area since the Adventure Pass program began (June 1997)?

ITEM RESPONSE: **29%** OF SAMPLE, OR 390 RESP'S

A. Yes, I have noticed improvements, such as (*please list*) _____	17%	67
B. No, I have not noticed any improvements here.	83%	323
TOTALS:	100%	390

17. How much does the Adventure Pass program change your recreation experiences in the National Forests?

ITEM RESPONSE: **75%** OF SAMPLE, OR 1,004 RESP'S

A. It greatly improves my recreation experiences.	17%	167
B. It slightly improves my recreation experiences.	17%	174
C. It has no effect on my recreation experiences.	28%	280
D. It slightly diminishes my recreation experiences.	6%	56
E. It greatly diminishes my recreation experiences.	6%	62
F. I am not sure.	26%	265
TOTALS:	100%	1,004

Jerrell Ross Richer, Ph.D.
Department of Economics
California State University, San Bernardino

18. Think about both the cost of the Adventure Pass – $5 per day or $30 per year – and the improvements it helps to fund. On balance, does the Adventure Pass program make you better off or worse off than you would be without it?

ITEM RESPONSE: 92% OF SAMPLE, OR 1,229 RESP'S

			As a % of "better off" Responses	
A. Better off: The program makes me better off because	46%	560		
1. The improvements I have already noticed are worth the cost.			13%	35
2. The improvements I hope to see will be worth the cost.			54%	144
3. I will visit the National Forests more often.			20%	53
4. It reduces the number of other people that visit the forests.			21%	56
5. It provides an alternative to taxpayer support of the forests.			25%	66
6. Other (*please specify*): _____			5%	14
			138%	368
B. Neither: The program makes me neither better off nor worse off because (*please explain*): _____	20%	240		
			As a % of "worse off" Responses	
C. Worse off: The program makes me worse off because	12%	152		
1. I have not noticed any improvements.			40%	35
2. The improvements I have noticed are not worth the cost.			9%	8
3. I do not believe future improvements will be worth the cost.			14%	12
4. I will visit the National Forests less often.			13%	11
5. It prevents other people from visiting the National Forests.			16%	14
6. It will reduce taxpayer support of the forests in the future.			25%	22
7. Other (please specify): _____			20%	18
			136%	120
D. Not sure	23%	277		
TOTALS:	100%	1229		

19. What suggestions, if any, do you have to improve the Adventure Pass program? _____

_____

_____

20. Did you visit any National Forests outside of Southern California last year (1996, 1997)? ITEM RESPONSE: **90%** OF SAMPLE, OR 1,214 RESP'S

A. Yes. (*Write down the names of the National Forests, or the states*) _____ **40%** 484

_____

B. No, I did not visit a National Forest outside of Southern California last year. **60%** 730

TOTALS: **100%** 1214

21. What is your zip code?

_ _ _ _ _ (*Write in the zip code where you currently live*) ITEM RESPONSE: **93%** OF SAMPLE, OR 1,251 RESP'S

22. How many people live in your household? ITEM RESPONSE: **94%** OF SAMPLE, OR 1,265 RESP'S

_____ people

			HIGHEST	20	ST. DEV. = 1.90
AVERAGE YEARS = 3.43	MEDIAN = 3		LOWEST	1	MODE = 2

Jerrell Ross Richer, Ph.D.
Department of Economics
California State University, San Bernardino

23. What was your approximate household income in 1996, 1997? ITEM RESPONSE: **85%** OF SAMPLE, OR 1,147 RESP'S
(Please circle one of the following)

A. Less than $5,000	3.7%	43
B. Between $5,000 and $9,999	4.1%	47
C. Between $10,000 and $14,999	6.4%	73
D. Between $15,000 and $19,999	5.8%	67
E. Between $20,000 and $24,999	7.2%	83
F. Between $25,000 and $29,999	5.0%	57
G. Between $30,000 and $34,999	6.8%	78
H. Between $35,000 and $39,999	6.1%	70
I. Between $40,000 and $44,999	5.6%	64
J. Between $45,000 and $49,999	4.8%	55
K. Between $50,000 and $54,999	6.4%	73.435
L. Between $55,000 and $59,999	5.1%	58.388
M. Between $60,000 and $74,999	10.4%	119.18
N. Between $75,000 and $99,999	9.6%	110
O. Between $100,000 and $124,999	6.0%	69.074
P. Between $125,000 and $149,999	1.6%	18.872
Q. More than $150,000	5.3%	61.054
TOTALS:	100%	1147

Assume each respondent's household income equals the midpoint of the category they indicate:

AVE = $ 53,027 MEDIAN = $ 42,500 HIGHEST $162,500 S.D. = $ 37,795
LOWEST $ 2,500 MODE= $ 62,500

24. What is your sex?

ITEM RESPONSE: **93%** OF SAMPLE, OR 1,247 RESP'S

A. I am female	**32%**	398
B. I am male	**68%**	849
TOTALS:	**100%**	1247

25. Are you currently a student? (*Circle one*)

ITEM RESPONSE: **94%** OF SAMPLE, OR 1,261 RESP'S

A. Yes, I am a full-time student	**9%**	114
B. Yes, I am a part-time student	**8%**	103
C. No, I am not a student	**83%**	1044
	100%	1261

26. What is your most recent educational experience?
(*Circle one of the following*)

ITEM RESPONSE: **92%** OF SAMPLE, OR 1,240 RESP'S

A. I had some High School (or Grammar School)	**9%**	116
B. I finished High School	**14%**	168
C. I had some College	**29%**	361
D. I finished College	**23%**	280
E. I had some Graduate School	**8%**	105
F. I finished Graduate School	**17%**	210
	100%	1240

27. Which category best describes you? (*Circle one*) ITEM RESPONSE: **93%** OF SAMPLE, OR 1,242 RESP'S

A. I am African-American	**1%**	17
B. I am American Indian	**1%**	14
C. I am Asian	**5%**	56.333334
D. I am Caucasian	**63%**	781
E. I am Latino	**25%**	310
F. I am Pacific Islander	**1%**	6.666666
G. I am Mixed-Race	**3%**	37
H. Other (*please specify*) _____	**2%**	23.0
	100%	1245

28. How old are you? ITEM RESPONSE: **95%** OF SAMPLE, OR 1,269 RESP'S

I am _____ years old

			HIGHEST	80	ST. DEV. = 11.78
AVERAGE YEARS = **37.27**	MEDIAN = **37.00**		LOWEST	15.00	MODE = 40.00

29. Do you have a Golden Age or Golden Access Pass? ITEM RESPONSE: **92%** OF SAMPLE, OR 1,239 RESP'S

A. Yes, I have a Golden Age Pass (62 years or older)	**3%**	36
B. Yes, I have a Golden Access Pass (physically-impaired)	**1%**	12
C. No, I have neither	**96%**	1191
TOTALS:	**100%**	1239

Jerrell Ross Richer, Ph.D.
Department of Economics
California State University, San Bernardino

30. Lastly, did you donate money to any nonprofit conservation or environmental organization(s) in 1996, 1997?

ITEM RESPONSE: **32%** OF SAMPLE, OR 431 RESP'S

A. Yes, I donated approximately $_____ in 1996, 1997.	**33%**	141
B. No, I did not give to any conservation/environmental groups.	**67%**	290
	100%	431

If yes, how much?

ITEM RESPONSE: **9%** OF SAMPLE, OR 126 RESP'S

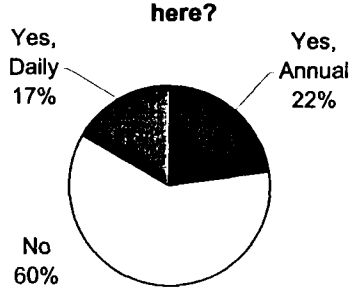
HIGHEST **$20,000** ST. DEV. = **$ 1,905**

AVERAGE AMOUNT = **$ 425** MEDIAN = **$ 100** LOWEST **$ 1** MODE = **$ 100**

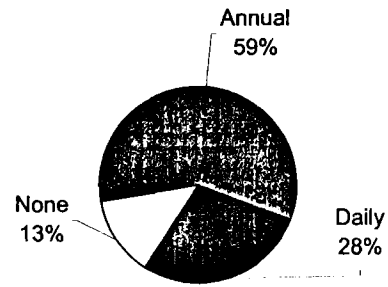
THIS IS THE END OF THE QUESTIONNAIRE.
Thank you for taking the time to share your opinions with us.
If you have more comments, please write them on the cover.

Jerrell Ross Richer, Ph.D.
Department of Economics
California State University, San Bernardino

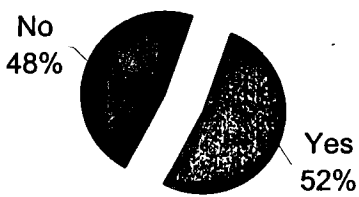
10. Did you buy an Adventure Pass for your visit here?



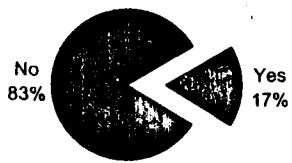
13. Which ... will you most likely buy next year?



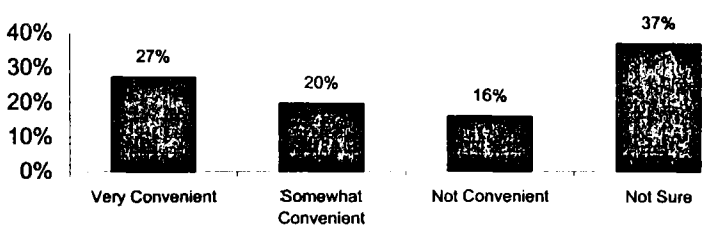
14. Did you know about the Adventure Pass program before you read about it in this questionnaire?



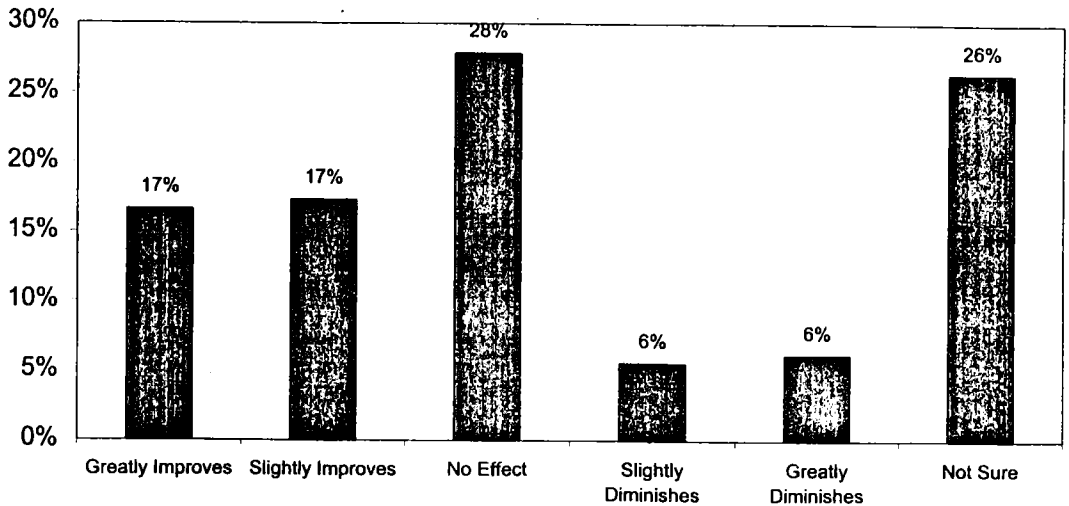
16. Have you noticed any improvements in this area since the Adventure Pass program began (June 1997)?



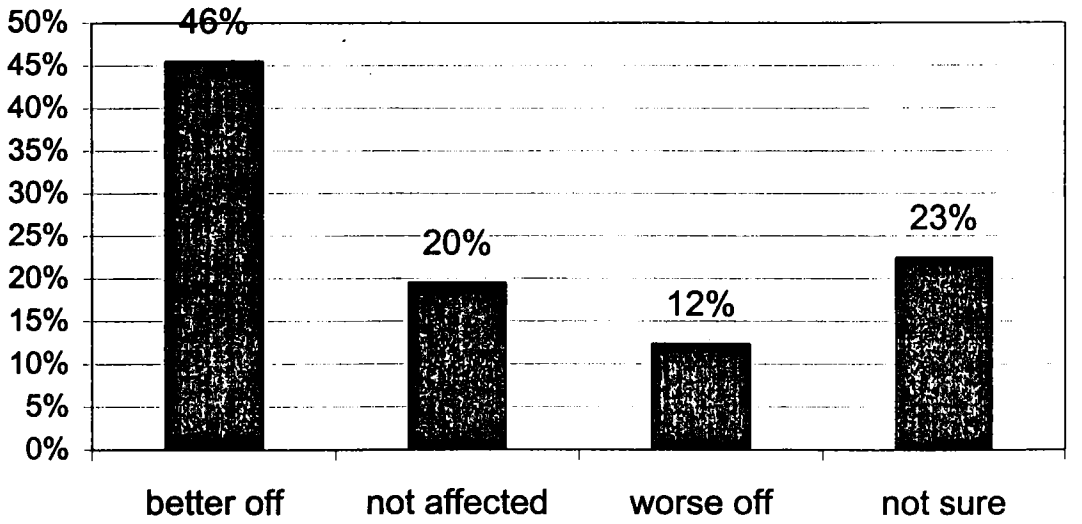
15. How convenient is it to buy an Adventure Pass?



17. How much does the Adventure Pass program change your recreation experiences in the National Forests?



18. Think about both the cost of the Adventure Pass and the improvements it helps to fund.
On balance, do you believe the Adventure Pass program makes you better off or worse off?



Mr. ROGERS. The Angeles National Forest welcomed the opportunity to test expanded fee authorities. As part of the Enterprise Forest, the Angeles National Forest has proven the success of expanded fee authorities to provide general recreational opportunities that would not be available without these fees. The forest fully supports the continuation of the test to learn how best to serve the public with fee programs and ultimately permanent recreation fee demonstration program authority.

Through the Enterprise Forest, processes have been developed or streamlined to increase efficiency and accountability, such as direct deposit processes with the Bank of America, utilization of a national contract with FedEx to track the delivery and cash payments of the Adventure Pass to vendors, an open invitation to businesses and cooperators to participate in the vendor program, and development of data bases to track sales and revenues.

I would like to briefly comment on the financial management aspects of the questions that you were asking. The Angeles has reorganized to stay within our budget and to operate more efficiently. Efforts to reduce administrative overhead, however, does not reduce the administrative workload, but instead shifts these responsibilities to other staff officers, making them less available to the field.

We have been implementing the National Financial Management Action Plan. Specifically, we have identified and corrected known deficiencies in our accounting data and are committed to improving its reliability. Our actions are designed to improve the timeliness, credibility, and usefulness of our financial information for users and the public.

I have a brief comment on the cooperative Knutson-Vandenberg Fund. The Angeles National Forest has a very small timber program. It collects K–V funds from the sales of 300–400,000 board feet of timber annually, which is used as personal fuel wood. The forest has no commercial timber sales. Forest-wide, we invest approximately $18,000 to $20,000 a year in K–V funds on timber stand improvement for release, pruning, underburning, thinning for forest health, based on sale area betterment plans. Fiscal year 1998 planning is for 154 acres of timber stand improvement funded by K–V dollars. Our K–V overhead is running at 11 percent of the total program.

I want to thank you for the opportunity to address you and at this time I guess we are open to questions.

[The prepared statement of Mr. Rogers follows:]

SUPPLEMENTAL STATEMENT OF
MICHAEL J. ROGERS
FOREST SUPERVISOR, ANGELES NATIONAL FOREST

before the
Committee on Government Reform and Oversight
Subcommittee on Government Management, Information, and Technology
United States House of Representatives
concerning

Management Practices on the Angeles National Forest

Bellflower, California
July 7, 1998

Mr. Chairman and Members of the Subcommittee:

I appreciate the opportunity to come before you today to discuss the management practices on the Angeles National Forest as they relate to the Forest Recreation Program and Recreation Fee Demonstration Program, the Financial Management of the Forest, and the Knutsen-Vandenburg (K-V) Funds.

Deputy Chief Ron Stewart has given you the overview of the Forest Service and the laws and regulations by which we manage the land. I am responsible for the overall management of the Angeles National Forest, which was created on December 20, 1892, as the San Gabriel Timberland Reserve by President Benjamin Harrison.

In addition to providing 35% of the local water supply, the Forest Service serves as the backyard for over 15 million people in the Los Angeles Basin, and boasts over 30 million visitors a year, more than Yellowstone, Sequoia/Kings Canyon, and Yosemite National Parks combined. As you sit here today, you could be enjoying the beauty of the Forest in less than an hour's drive just to the north of here. You can well appreciate how it serves the recreational desires of millions of people in the Los Angeles area.

Let me address a few specifics of the various issues identified and then I will be happy to address questions.

Recreation Program on the Angeles National Forest

Recreation is the predominant use of the Angeles National Forest, which receives over 30 million visits a year. Recreation management of the forest is characterized not only by high use, but by a number of complicating factors. Most of Los Angeles County residents are within an hour's drive from the forest and predominately use the forest for day trips. Over a third of the forest boundary is shared with suburban homeowners. Because the forest is close to area residents and is used primarily for day trips, many visitors are not prepared for the hazards and changes in weather conditions they may encounter. Proximity and high use intensify the number of emergency incidents, violations, and crimes on forest land. The recreating public looks to a relatively small number of useable acres for numerous, often non-compatible uses. Many cultures utilize the Forest for recreation, requiring managers to understand the values and needs of many groups. Southern California's climate allows for year-round use of most of the Forest.

The Angeles provides 878 miles of trails, 66 campgrounds, 36 picnic areas, boating on 3 lakes, fishing on 5 lakes, 5 ski areas, and 618 summer cabins, as well as opportunities for hunting, fishing, and sight-seeing across the Forest.

Providing recreational opportunities is increasingly expensive. Massive use requires stadium-style maintenance to maintain the service to standard. Facilities wear out fast, and in addition to receiving heavy use, facilities are heavily vandalized. Recreation on the Angeles is a high-volume, high-cost program. As requirements and the need for administrative procedures, environmental analyses, law enforcement, legal assistance, appeals, and Freedom of Information Act requests increase, the cost of business escalates. To put it simply, less dollars get "to the ground" as services to the public. The high cost of providing services, coupled with declining budgets, has made it more and more difficult to meet the demands of an increasing population.

Appropriated funding for the Angeles National Forest recreation program has dropped from $4.1 million in FY 1991 to $2.5 million in FY 1997. Since the mid-1980s the Forest has utilized alternative methods of providing services to the public. Concessionaires run the major campgrounds; volunteers and interpretive associations operate visitor centers and maintain trails; cooperators educate first-time visitors and clean-up high-use canyons; and state grants fund off-road vehicles facilities. Even with these major programs, the overall level of services decreases annually.

General recreation costs for clean-up, dump fees, toilet pumping, general information, and repair and maintenance of smaller sites do not lend themselves to alternative funding. To cover the costs of general recreation, the Forest needs expanded fee authority.

Recreation Fee Demonstration Program

The Angeles National Forest, along with the other three national forests in southern California (Los Padres, San Bernardino, and Cleveland), formed the Enterprise Forest to explore ways to utilize entreprenuerial methods to improve services. The Enterprise Forest uses the Recreational Fee Demonstration Program authority to address maintenance backlog and to improve general recreation services across southern California.

The Enterprise Forest developed a Recreational Fee Demonstration Project called the National Forest Adventure Pass, which is based on the premise that all National Forest recreational experiences have a basic value. The project tests whether the fees paid will result in improvements on the ground and improved customer satisfaction.

Forest recreationists are required to display an Adventure Pass on their vehicle while recreating on the four southern California National Forests. The Adventure Pass is sold at Forest Service offices and by over 385 private vendors. Revenues from Pass sales are invested in improved services to the recreating public.

A business plan was prepared to outline the mechanics of the Pass program, describe the communications planning efforts, and provide a financial analysis. The financial analysis was prepared by the Forest Service and Dr. Jerrell Richer, Assistant Professor of Economics at California State University, San Bernardino. The financial analysis developed a framework for estimating net revenues. An inital survey determined the optimal price combination for daily and annual passes. That price combination, along with survey-based projections of how many visitors would purchase daily versus annual passes, use projections, cost projections, and historical compliance rates, provided the analysis necessary to plot cost versus revenues by quarter.

The communications and marketing plan addressed the methods and schedule for introducing the Adventure Pass to employees, forest users, community leaders, national organizations, elected officials, tribal governments, permittees, cooperators, and the general public.

The Adventure Pass Program is a success in its first year of implementation. Actual costs and revenues have tracked projections, except for during the winter when revenues were lower due to El Nino weather conditions. To date, the Forest has received $405,604 to invest in improved services.

The majority of the public has voiced its support of the National Forest Adventure Pass. Surveys have shown that 46% feel that they are "better off" with the Adventure Pass, 20% are not sure, and 12% feel they are "worse off". The 12% of visitors surveyed who felt they were worse off generally opposed paying for services they felt should be covered by their taxes. The Angeles National Forest has not encountered any organized or widespread opposition to the program. Numerous letters of support have been received by the Forest.

The cornerstone of support, as determined by survey responses, is the commitment that the revenues are returned to where they were collected and that Congress does not offset appropriated funding.

Survey participants stated that the improvements they want most are more and cleaner restrooms, better protection of the environment, better trails, and more visitor information. On the Angeles National Forest, net revenues have been used to clean restrooms more frequently, to repair and paint restrooms, and to rent more portable toilets. Net revenues have also increased trash pick-ups, funded graffiti removal, funded trail maintenance, extended visitor center hours, purchased informational signs, hired field employees to assist visitors, funded installment of bear-proof bins, increased patrols, and funded repair of picnic area and campground facilities.

The Angeles National Forest welcomed the opportunity to test expanded fee authorities. As part of the Enterprise Forest, the Angeles National Forest has proven the success of expanded fee authorities to provide general recreational opportunities that would not be available without these fees. The Forest fully supports continuation of the test to learn how best to serve the public with fee programs and ultimately permanent recreational fee demonstration program authority.

Through the Enterprise Forest, processes have been developed or streamlined to increase efficiency and accountability, such as a direct deposit process with Bank of America, utilization of a national contract with FedEx to track the delivery and cash payments of the Adventure Pass, an open invitation to businesses and cooperators to participate in the vendor program, and development of data bases to track sales and revenues.

Financial Management

The Forest has reorganized to stay within our budget and to operate more efficiently. The effort to reduce administrative overhead does not reduce the administrative workload, but instead shifts these responsibilities to other programs.

We have been implementing the National Financial Management Action Plan. Specifically, we have identified and corrected known deficiencies in our accounting data and are committed to improving its reliability. Our actions are designed to improve the timeliness, credibility, and usefulness of our financial information for users and the public.

Cooperative Work Knutson-Vandenburg Fund

The Angeles National Forest collects K-V funds from the sales of 300-400 thousand board feet (mbf) of timber annually as personal use fuelwood. The Forest has no commercial timber sales. Forest-wide, we spend approximately $18,000-20,000 a year in K-V funds on timber stand improvement for release, pruning, underburning, thinning for forest health, based on sale area betterment plans. Fiscal year 1998 planning is for 154 acres of timber stand improvement funded by K-V dollars. K-V overhead is 11% of the total planned program.

Closing

Thank you for giving me the opportunity to address this committee. I am willing to answer any questions you may have.

Mr. HORN. Well, we thank you both very much. Mr. Davis will begin the questions.

Mr. DAVIS. Let me ask what effect the change in accounting procedures applicable to the road prism costs has done, you came out with some changes and that has had a fairly significant impact and I wonder if you could discuss it.

Mr. STEWART. Previously, we had considered—we had calculated road prism costs in our timber sale program as a long-term land investment and therefore, it was not annualized.

Mr. DAVIS. Road prisms are——

Mr. STEWART. The actual road bed itself. And so it could be considered—some might consider it an investment, a long-term investment.

Mr. DAVIS. The costs that go into that are the cutting of the trees, the clearing——

Mr. STEWART. It is the actual construction of the road bed and the gravel and everything that goes on it.

Historically we had not considered it as an annual cost of the timber program. There had been no accounting, Federal accounting standard, and so we used the standard that had been used in private industry. The Federal board that establishes accounting procedures, GAO being a member of that, changed the accounting standard for 1997 to include it as an annualized cost to be actually costed out on the particular timber sale program. The end result of that was to add about $51 million to the cost of the timber program over what would have historically been reported. The net result—the year before, the timber program nationally overall was deficit about, as I recall, about $15 million, and this year, the most recent report which is for fiscal year 1997 shows a deficit of about $88 million.

Mr. DAVIS. Does GAO have any comment on that?

Ms. CALBOM. I will just comment briefly. The statement that Mr. Stewart is referring to is one the Federal Accounting Standards Advisory Board [FASAB] developed, and the purpose of that statement is to take assets of the Federal Government that are considered to be stewardship assets off the balance sheet and put them on a different statement called a stewardship report. And land, of course, is one of the major assets of the Federal Government. The vast majority of land that the Federal Government owns had never been recorded on the financial statements of any of the agencies. What this standard does is say let us take those assets, let us record them, show them as stewardship assets so we can track them, and we track their condition and continue to show those as national assets—or start to show those as national assets, but not on the balance sheet, because they are considered to be, you know, a different type of asset than you traditionally would have.

But the road prisms are defined under that standard as part of the land. So they get swept into that stewardship accounting. And we have actually just recently been asked to look at this very issue and are in the process of doing that.

Mr. DAVIS. What does that do from an appropriations and spending—what does that do, force us to make adjustments in that, obviously?

Mr. STEWART. The costs are incurred one way or another in building the road, so it has no fundamental effect, I do not think, in terms of appropriations necessarily. What it does is it affects the way you account for the prism and therefore the profitability of the timber program.

Ms. CALBOM. I might just make one more quick comment. While GAO has not done any recent work on the TSPIRS system, I do know that it does not feed into the financial reporting system that is used for preparing financial statements. Technically you would not have to apply that standard to TSPIRS, but you would probably want to for consistency's sake. But technically because it does not feed into the system where you prepare the financial statements, you would not necessarily have to apply it.

Mr. DAVIS. Well, TSPIRS has changed in the different categories now. They now recognize different categories of sales and from what I understand, the bulk of the sales now are for timber commodity, only 23 percent are for forest stewardship and 5 percent are for personal use roughly, is that——

Mr. STEWART. The figures I have, just a comparison, when we started making those determinations of separating the kinds of—the purposes of the timber program, the first year I believe was in fiscal year 1993. That year, 71 percent of the harvest volume was removed for timber commodity purposes. By 1997, it was only 52 percent. And what we have seen is a corresponding increase in the other two categories, most of what is called the stewardship category, which are timber harvests for other purposes, such as fuels management, wildlife habitat improvement, and other reasons, as well as a small increase in the personal use, which happens to be the largest category and the only category I think on the Angeles National Forest. That would include firewood harvesting and so forth.

Mr. DAVIS. I mean nothing is more controversial in Congress than when you get into the whole timber sales issue. It is rural versus urban and just different views on that and it is something we have addressed each year in appropriation bills and probably need to come to grips with on a permanent basis. So I am just interested in getting it into the record.

Do you have an advisory committee or other body to accept public input on the management of the fees collected?

Mr. STEWART. You know, I do not believe we do. We have a plan with each of the forests that are participants in it to get public input both before they initiate the demonstration project, but also to help evaluate it as it goes along.

Mr. DAVIS. Would it be a good idea to maybe establish one like that and get the input?

Mr. STEWART. It is certainly something we should look at.

Mr. DAVIS. Do you have any thoughts on that?

Mr. MEISSNER. No.

Mr. DAVIS. A witness we are going to hear from later on says that the Forest Service does not have the authority to take the overhead from the K–V Fund. Is the Forest Service currently authorized to take overhead expenses, in your judgment, and are there any limitations on that authority, and does the headquarters

of the Forest Service give any guidance on what the amounts are that would be allowed?

Mr. STEWART. First of all, it is the Government's contention that we do have that authority. The brief that I am proposing to submit for the record does lay out the Government's legal argument. That is the fundamental question. The lawsuit has actually three different charges, but the fundamental one is do you have that authority. If the courts determine no, then the other two issues are moot.

There has been no specific guidance on overhead charges except broad definitions of what kinds of things can be considered as overhead and one of the things that is in the new review will be a consistent definition, which will tighten that up and leave less flexibility for local units to interpret.

Mr. DAVIS. I know firefighting is something that can be used under the K–V funds, but they are supposed to be reimbursed, are they not?

Mr. STEWART. The authority for emergency firefighting is that the Service can use any available unexpended funds, and in general, the K–V Fund has been a large fund sitting there and it has been the one used. As indicated in the earlier testimony, we then have to go back and specifically request to have the money reimbursed. Congress sometimes gives us all or some of it. They did give a fair amount back this last time and it has been put back into the fund, but by no means has all of it been put back. There still is an outstanding amount of I think $300 and some odd million that is still——

Mr. MEISSNER. $493 million at the beginning of fiscal year 1998.

Mr. DAVIS. Almost half a billion dollars.

Mr. MEISSNER. Oh absolutely.

Mr. DAVIS. What could you do with half a billion dollars if you had that for reforestation today? What could that buy us?

Mr. STEWART. Planting a lot of acres, wildlife habitat improvement, there is a whole range of things that that money was planned for use. In other words, it is not an optional thing, there is a plan for each of those sale areas that says specific activities are to be conducted.

Mr. DAVIS. I am just trying to understand. If money either had not been taken initially or was reimbursed by appropriation, I go back to my constituents and say here is what we are getting by doing this. Can you quantify it more than saying planting a whole lot of acres? I mean, that does not——

Mr. STEWART. We can probably get you some pretty good estimates.

Mr. DAVIS. I think it would be helpful to know what this money could buy us in the short term.

Mr. STEWART. I will be glad to provide the information.

Mr. DAVIS. In terms of implementing the plan, and if we had this, what we could show for it?

Mr. STEWART. We will be glad to provide that for the record.

Mr. DAVIS. I think that would be helpful.

Mr. HORN. I wonder if the gentleman would yield for a minute on this point?

Mr. DAVIS. I will be happy to.

Mr. HORN. It just seems to me, listening to that exchange, that we might say—and if that is not true, tell me—that we put a raid on the Knutson-Vandenberg Fund and then we send it up to Congress and say well, gee, if they do not completely refill it, that pot that we just raided for fire problems—which is understandable to a degree—that then that is Congress' fault. Meanwhile, we are losing the opportunity for reforestation. Now it seems to me that what I would like to have at this point in the record is the last year of fires, where did you take the money from, how much was in that account to start with and include the Knutson-Vandenberg Fund—I realize you have got a real problem when you have fires breaking out in Yellowstone and all over the place, you are talking about hundreds of thousands of acres—but I think that would sort of clarify. Are we just dipping into this one because this is handy and Congress thinks it is a good thing so they will put more money back? Some in Congress might not think it is a good thing and do not care about it, and that bothers me, because it seems to me the whole idea of that trust was to make sure that you redid for future generations what you have just cut for a current generation.

So without objection, that exhibit will be in the record at this point.

[The information referred to follows:]

ENCLOSURE B: Estimate of Projects $493 million in KV Would Cover
(to transcript for July 7 and 9, 1998 hearings by Subcommittee on Government Management, Information and Technology); responds to transcript page 48, line 1083.

prepared by Tom Peterson, Forest Management, USDA Forest Service, 12/14/98, 2pages

Response to request as to the amount of work, by activity, that can be accomplished if the $493 million loan to the fire fund from the K-V fund were to be repaid. Assumptions used in completing the Table below:

1- SAI (Sale Are Improvement) work was broken down by the following %'s;

a. 39% reforestation
b. 33% TSI (Timber Stand Improvement)
c. 17.5% Wildlife, Fish and TE&S
d. 1.4% Grazing Management
e. 1.8% Range Vegetation Management
f. 1.6% Recreation
g. 4.8% Soil, Water and Air
h. 0.7% Fire operations

2- The above percentages were applied to the $493 million total to determine the monies associated with each activity. See "Total Dollars Needed" column in table below.

3- Average planning costs per unit of output were utilized to determine the approximate number of units that could be accomplished. See "Total Units and Unit of Measure" column in table below.

Program Title	Total Units and Unit of Measure	Total Dollars Needed
Forestland Vegetation Mgmt		
--Reforestation	~415,000 acres	$191.3 million
--Timber Stand Improvement	~633,000 acres	$164.7 million
Wildlife and Fish Habitat Mgmt		
--Wildlife Habitat Treatments	~41,550 acres	$5.9 million
--Inland Stream Habitat Trtmnts.	~100 miles	$0.8 million
--Inland Lake Habitat Trtmnts.	~655 acres	$0.7 million
--Anadromous Stream Habitat Trt	~66 miles	$0.8 million
--Anadromous Lake Habitat Trts	~245 acres	$0.7 million
--TE & S Activities	N/A	$0.9 million
Grazing Management		$6.9 million
--Structural Improvements	~601	
--Grazing Allotments	~732	
--Allotments Managed to Std.	~5968	
Rangeland Vegetation Mgmt		$8.8 million
--Non-structural Improvements	~26,269 acres	
--Noxious Weed Treatments	~17,731 acres	
Recreation Management		
--Trails Maintained	~8667 miles	$7.8 million
Soil, Water and Air Mgmt		
--Watershed Improvements	~20,609 acres	$23.7 million
Fire Operations		
--Hazardous Fuel Reduction	~140,000 acres	$3.5 million

Mr. STEWART. The other thing I would like to say, if I could, is both the administration and the appropriations subcommittees in the House and Senate have been wrestling with this issue of how we deal with the firefighting costs. They have increased that budget in recent years. There have been several approaches as to how that could be done. So far, it is not totally resolved and there is still—if you had a 1996 fire year or a 1994 fire year or a 1987, was it, that we had the big one here in California? We probably would still have some difficulties, even with the increased appropriations. Again, the authority is that if you are actually fighting fires, you can use any available fund. Then you have to go back and get it reimbursed.

Mr. DAVIS. The other question the chairman had is what are the other funds you are taking it from? Obviously the trust fund is sitting there and it is kind of helpless, it just lies around. Over the long term, if this money is not replenished, you will defeat the whole purpose of the Knutson-Vandenberg Act and it would just be good to be able to quantify and go back and say here is what we could have done if we had done this thing appropriately or not had to take money out of the fund.

Mr. STEWART. We will be glad to do that.

Mr. DAVIS. It will give a better understanding I think to the Members.

Mr. MEISSNER. Mr. Davis.

Mr. DAVIS. Yes.

Mr. MEISSNER. We might be able to help a little bit with some numbers. When we did the work in June 1996, the Forest Service had outstanding about $942 million worth of projects in the K–V Fund. So at the time that they were roughly $420 million in the hole, they had $942 million worth of projects to do. As Mr. Stewart said, they were already lined up as projects to be done, so——

Mr. DAVIS. So these get delayed or not done or whatever.

Mr. MEISSNER. That is a big difference. Obviously that is half of it that could not be done because the money had not been replenished.

Mr. DAVIS. I guess my question is which half did not get done? And the other question I tried to ask earlier is how do we determine what projects are done? Is there an advisory committee to help on some of these items, to help ferret it out so that we are not constantly having these other fights in terms of setting the priorities? How do you set those priorities and what groups are just advisory to the Forest Service in trying to do it?

Mr. STEWART. The simple answer on the individual sale is that the priorities are set by the plan that is done in advance of the sale. The bigger question is when money is tight, where the investment goes around the country, that is a different question and I do not have with me an answer to that, but I am sure we can get you one.

Mr. DAVIS. Let me ask a couple of questions of the GAO. The subcommittee received a report that the Forest Service had lost some firearms. Did your review uncover anything of this nature?

Mr. MEISSNER. No.

Mr. DAVIS. And you noted that the Forest Service has problems with internal controls. Could you talk about the internal controls

for the non-auditors that are present? And given the lack of internal controls, is it conceivable that equipment could be stolen and not detected?

Ms. CALBOM. Yes, it is, and one of the big problems, as I mentioned, is this lack of safeguarding controls over assets. It is conceivable that assets could be stolen and no one would even know it.

Mr. DAVIS. OK. Was any property or equipment discovered to be lost as a result of the recent audit?

Ms. CALBOM. None that I am aware of. Again, we have not seen the 1997 results, but what you have to realize is because there have never been good inventories to begin with, even if something was missing it could go undetected. If you do not have a baseline to begin with, how in the world would you ever know something is missing.

Mr. DAVIS. And let me ask the Forest Service, I understand the Forest Service was among the early leaders among agencies for the Government Performance and Results Act. Has the strategic planning process affected your activities at all and could you describe how and what do you consider your key outcomes here in the Angeles National Forest?

Mr. STEWART. The latter part of your question I will let Mike Rogers answer, but one of the things I would like to say—and I think the reason why the Forest Service did embrace GPRA, the Results Act, as Members of Congress call it, for good reason, is that it probably represents the first really good management tool, complete tool. The Forest Service has been doing strategic planning for a long time, the Resources Planning Act has been around for quite a number of years. But there is no teeth in it. We can come forward with a recommended program and it often was not tied to reality, it was tied to what we would like to see in the future, without any ties back to budget realities.

The nice thing about GPRA is it has not only a strategic plan but also an annual performance plan which is tied to budget and an annual performance report. Sometime early next year, we will produce for Congress a report that says here is what we said—well, pardon me, at the end of 1999, which is the first year that there will be a full performance plan—we will report back to Congress, here is what we said we were going to do and here is what we did do. If we did not do what we said, here is what we are going to do to fix it. That is the first time I know of anywhere in Government where we have used what essentially probably has been common practice in business. It has changed the way we have done business, it has focused us. One of the things we are stuck with is that in the change from sort of the historic commodity programs to more of a land stewardship kind of role and ecosystem management, many of the measures that we have been using to track our performance are more related to things like board feet and things like that, and they do not necessarily tell you a good measure of the land, and so we are having to develop new measures. Many of those are not the sort of thing that you can report annual change in. In other words, investments in a watershed to improve the watershed may not show effects for 5 or 10 years. In the meantime, we need to be accountable for the investments we make on an an-

nual basis. So we are wrestling with how you tie short-term expenditures to long-term change. And we have some thoughts on that, we are not unique in the natural resource arena, there is a natural resource forum that includes EPA and the other natural resource agencies wrestling with how we do this very thing.

Finally, we have taken the performance plan concept one step further and we disaggregated the performance outputs in that plan down to the regions and the regions probably in turn have done that down to the forest level, and included key indicators in the performance plan, in the individual performance, for people like Mike Rogers and myself. So what it is tending toward is to provide personal accountability for achieving the outputs that we said we were going to produce.

In terms of how that plays out and what are the important things for the Angeles, I will let Mike respond to that.

Mr. ROGERS. Your question is very appropriate. The Angeles is a lot different as a national forest than the other 155 national forests. The southern California forests, for that matter, are different. When you look at the Government Performance Results Act, it is about commodity production and we are service providers. So very few of the components in the Government Performance Results Act apply directly to these four forests. When you look through the list of tangibles that we have to report back on, we are not in there, we do not do those kinds of things, we do not produce board feet. So there is a lot of work that is going to have to be done to make it fit for the unique forests that are service providers rather than commodity producers.

Mr. DAVIS. Thank you.

Mr. STEWART. If I might just add one thing, one of the issues before us here is financial management and the whole accountability issue. One of the three strategic goals in that plan—there are three strategic goals. One of them is organizational effectiveness.

When we did consultation with the key committees on the Hill, they initially argued that that was not an appropriate strategic goal, I mean that is just something that should be expected. I think as they heard more and more about some of our problems with information, they recognized the need for it and now generally accept it. In that one, we have specific goals related to both financial management and information management in general. Those also are disaggregated to appropriate line officers and fiscal agents and so forth within the organization for accomplishment.

Mr. HORN. I want to commend you on working on those performance indicators. We regard this in terms of the leadership of the House, this subcommittee, as the most important thing we could be doing and the executive branch could be doing. We have held extensive hearings on this, this proposal came out of our subcommittee, and we have been tremendously impressed with the State of Oregon and how they have developed performance indicators, benchmarks, if you will, as to the success or failure of any of its programs.

I was thinking as you were talking, I do not know if they have applied it to their State forestry operations, but it might be interesting to see what Oregon is doing. I think a lot of us read recently about the Governor of Oregon, who is sort of a new breed of person

in the governorship, an M.D., an environmentalist, and a tough-spoken person. So I think it will be worth looking at. We will probably go out there, hold a hearing on what they are doing.

What we are trying to model all this after is what New Zealand and Australia have already done. They are the two most reformed Governments in the world. We are not. But in some of the cities of America, they have certainly done a good job and I commend you for pursuing this because first, we have got to get that financial system working that tie dollars and cents, but we should not be measuring achievement on just dollars and cents, we have got to measure on what are the needs of the clientele, if you will, both professionally, the citizens, the residents, whatever, the traveler. To try and relate what you are doing to that is not easy. We had a staff, the authorizing type, and the appropriations type, and our oversight types, that went over all these plans and gave them grades. Some of them were very good. Some of them had a long way to go, but it is a new experience for most of the executive branch. But I think most of your people, when they went to undergraduate school, which a lot of yours have, I would think probably got into this approach in how you analyze are you achieving something. And it is not just how many dollars you spent or all the rest of it, it is some of those categories you mentioned.

Do you have any other news at this point as to how that is coming and how it is going to be developed? It seems to me it has got to go from the bottom up, the people that are living out there in the forests should be the ones that are saying, "well, here are some of the things we are trying to do."

Mr. STEWART. One of the complaints of the current strategic plan is initially it was developed as the Resource Planning Act proposed program, draft program for 1995, and had been accepted by OMB and even GAO that that would be our strategic plan. As that started through the process and people began looking at it critically, they said it really did not meet the requirements, and so we went through a series of iterations of rewriting of it. As it came out, it looked somewhat different than the RPA program, which had a significant amount of public involvement. Because of that, we have had criticism that we have not involved the public in the strategic plan.

Last week, we had a national teleconference with Forest Service employees, hosted by the Chief, in which he laid out a strategy for revising that plan and doing exactly what you say, beginning with the ground up. The expectation is that the forests and other field units of the Forest Service and the national office will begin a national dialog internally and externally with our publics to help shape the next version of that strategic plan. It is required every 3 years—that is the requirement, you can do it in less. So our intent is to try to re-examine that plan as quickly as possible.

As part of that, we have a number of efforts working with other agencies and State foresters and others of doing as you said, trying to come up with better measures. Because the ones we have frankly—and we have been very open in admitting that—are more—they are the easy things to measure, but not necessarily the right things to measure, given your long term strategy.

I disagree a little bit with Mike in that there is a whole host of things on health of the land, but they again are not the things that you can measure very well on an annual investment basis and we have got to really work on that.

Mr. HORN. Did you have some more questions?

Mr. DAVIS. No.

Mr. HORN. Let me go back to the one Mr. Davis asked of the Forest Service on these lost firearms. We received a report the Forest Service has lost some firearms. Did your review uncover—have you done any review within the Forest Service on this? Apparently firearms are missing.

Mr. STEWART. I am not aware of that. That does not mean it does not exist, I am just not aware of it.

Mr. HORN. Yes, this would be a whistleblower comment and I do not know at this point what particular forest this occurred. But how do you deal with the equipment situation? A lot of it gets some pretty rough use in terms of fires and snows and all the rest of it. What kind of an inventory system do we have in the Forest Service?

[The information referred to follows:]

United States Department of Agriculture | Forest Service | Washington Office | 14th & Independence SW
P.O. Box 96090
Washington, DC 20090-6090

File Code: 5380/6400
Route To:

Date: September 2, 1998

Subject: Firearms

To: Thelma Strong

You had asked me to give you a response to Congressman Horn's question to Ron Stewart concerning lost firearms within the Forest Service. Law Enforcement and Investigations (LE&I) only inventories firearms that are assigned to law enforcement officers and special agents. The Forest Service has many more firearms that are used by employees for cone shooting, porcupine control, protection from bears, etc. The overall responsibility for property management and accountability for firearms would be Property and Procurement.

The Office of Inspector General (OIG) is currently preparing plans to conduct a complete physical inventory of all firearms owned by the Forest Service. The Forest Service awaits completion of the inventory for the comprehensive answer on status of firearms.

If you have any questions or need further information, please contact me.

/S/Greg Nichols

GREG NICHOLS
Assistant Director
Law Enforcement and Investigations

Mr. STEWART. Of course one of the things in the GAO and OIG audits that showed us to be deficient is that we did not have a current inventory or did we necessarily have the value of our property, including the physical property, land, and buildings. We have been in the process very intensively, I know Mike was telling me yesterday how much energy and effort they are investing into going out appraising land values and building values and getting a full inventory of materials.

I would be surprised though in the law enforcement arena or even in the fire arena, we generally have a much better inventory there. It is true that when you get large fires going and you are removing equipment from the fire caches, that a lot of that equipment becomes expendable. That is, batteries wear out, those kinds of things, and equipment is broken. But they do account for it I think fairly intensively there. The problems seem to be in other areas where we have not kept as good record, but I would certainly be glad to followup on this, this is news to me.

Mr. HORN. When we get more information, we will call you on that and give it to you.

Mr. STEWART. Good, thank you.

Mr. HORN. In 1996, Congress passed a law that was sponsored by our wonderful late colleague, Steve Schiff, who represented Albuquerque and just died a few months ago. It allowed the Forest Service to lend their craft to private firefighting companies when you have one of these fires. This program has been plagued, I am told, by accountability problems and loaned aircraft which really became grants. Has any progress been made on addressing the concerns that were raised? I think the inspector general's reports also mentioned this situation. Where are we on that?

Mr. STEWART. The issue actually predated that law. In fact, the law was written as a result of the early investigations in which apparently there had been some improper use of the Aircraft Antiquities Act or something like that in transferring property. Some of the newer aircraft, newer being things being built in the 1950's and 1960's, C–130's and P–3's. That law now makes it legal. We have been in the process of finalizing the regulations and the contract provisions to make that happen. Because of the controversy, there has been a lot of interest in how that is going to work. It is my understanding that that is soon to be done, it involves the Department of Defense, since they own the aircraft, and the Forest Service and the contractors. But we are very close to having that worked out and that law was, again, a terrific piece of legislation.

I was, last week—one of my jobs is I am chief accident investigator for the Chief's office, and we had an air tanker go down in New Mexico and the pilot and copilot were killed. If you look at our aircraft fleet, it is very, very old and the opportunity to bring in this newer, faster equipment is going to probably, in the long term, make our firefighting forces much more effective. It is a piece of legislation that is very welcome and has taken, unfortunately, longer than we had hoped to work through all the negotiations with Department of Defense and the other responsible parties.

Mr. HORN. Now has the Forest Service asked for appropriate equipment in its budget presentation and did the Secretary ap-

prove that? Did OMB approve it? Did the President cut it? What happened?

Mr. STEWART. We have generally had very strong support within the administration and in Congress, as I mentioned earlier, for our firefighting efforts. The difference has been how you fund emergency firefighting efforts. Again, I think to be fair, folks have said with all the other immediate issues, since you have authority to spend any available funds, it is one we will deal with as it comes up. We have probably, both as an agency and as a Congress, sort of overlooked some of that. But in terms of getting the equipment we need, I think in general that has not been a problem. I will point out that the aircraft that we use, the air tankers we use, and a lot of the aircraft fleet that are accessible to Federal agencies and States in terms of fire emergencies like the one in Florida are under contract, and therefore not owned by us, and part of the firefighting appropriation.

Mr. HORN. Now as I understand it, the Department of Defense can give you excess vehicles, aircraft, that they have and just want to retire and get a new generation. How is that working?

Mr. STEWART. Very well. A great example of it is the State of California, one I am somewhat familiar with. Their aircraft, their base air tanker, which is the S–2, is a surplus Government aircraft that was a Navy aircraft that actually, as I understand it, they are probably owned by the Forest Service and loaned to the State of California. Much of their helicopter fleet is also surplus military, probably owned by the Forest Service and loaned through the Surplus Government Property Program to the State. It seems to work very well. There has always been concerns about the management of that, there have been several oversights by GAO and others of it periodically. As far as I know, any deficiencies in that program have been largely corrected.

Mr. HORN. Does the Forest Service have the authority to loan to the State of California, when they have a fire problem and then that equipment reverts to the Forest Service? How does that work?

Mr. STEWART. Generally, we are under sort of a mutual assistance agreement and the closest available resources and then they reimburse each other after the fact. So, for example, Mike Rogers and I had the unexpected pleasure in 1993 of being down here for the big fire siege. While there were fires on National Forest System lands, there were a lot of them that were on county protected and State protected lands. Nobody worried about the color of uniforms or anything else, we fought the fire and we fought them side by side. I think there were 15,000 Federal firefighters down here. Many of the aircraft were under Federal contract.

After it was said and done, we kept records of whose fire they were on and what resources were used and then we reimbursed each other. Sometimes we find it is a wash.

Mr. HORN. Yeah.

Mr. STEWART. Therefore, you do not worry too much about transferring the records. You validate that it was——

Mr. HORN. What is going on in Florida right now, I think is a good example of this, where they are coming from all over the United States.

Mr. STEWART. In fact, some of Mike's people are down there, I understand.

Mr. HORN. Does the General Accounting Office have any comments on this swap of equipment and inventory and so forth?

Mr. MEISSNER. We are currently not doing any work in that area. We have simply accumulated how much money is spent for firefighting—pre-suppression and suppression costs. We have periodically though, Mr. Chairman, looked at that as Mr. Stewart discussed, but we are doing nothing that is current.

Mr. HORN. Any comment to make on that?

Ms. CALBOM. Again, as far as financial management goes, there is a real lack of controls and it gives rise to the very real possibility that some of this equipment that is swapped or costs that are incurred between the different branches of Government would not get picked up properly, therefore, we would not be able to know what the true costs of fighting these fires are.

Mr. HORN. Well, do we have any suspicion that some of it is just going on a black market, shall we say, being dumped somewhere, resold as surplus equipment, that kind of thing?

Ms. CALBOM. We do not have any information along those lines, no.

Mr. HORN. OK. Well, since we are talking with GAO, could you give us in greater detail your comment on the various problems in financial management that could result in unnecessary budget requests?

Ms. CALBOM. Really a couple different areas. As an example, if you do not have a good inventory of your equipment, you may have a request to purchase equipment that you already have. You may have it in a warehouse in North Dakota and not realize it. It is just this matter of knowing what you have so that when you need it, it is there and it is accessible.

Another example would be in the area of accounts receivable which the Forest Service has had a very difficult time tracking, and I know they are working very hard on this area as well. But if you cannot properly track your accounts receivable for reimbursable services, and therefore you do not get reimbursed, that is just less money you have got to spend on your program activities, so you have got to request that much more money. So it is those types of items, the general lack of keeping the purse strings tight.

Mr. HORN. See, I mentioned earlier the situation we had with the Pentagon where we could not find $25 billion and it is now down to $10. The problem was they never could match their acquisition purchase documents with their inventory. And they did not know what they had either. When your team I think went over to look at Department of Defense why you found missing missile launchers and everything else, and a few boats were missing. That is hard to believe, but nothing is hard to believe when it comes to the Pentagon.

Anyhow, any feelings you have got on this situation? How are we doing?

Mr. STEWART. Well, just to indicate what some of the—maybe to confirm what some of the problems are, the Foundation Financial Information System, which is absolutely critical, or something like it, to be able to have a good accounting system, it was tested this

year in two regions of the Forest Service, Pacific Northwest Region, which is Oregon and Washington, the State of Alaska, which is Region 10, and the Pacific Northwest Research Station, which actually covers both of those regions. And in the implementation of that, we discovered a number of problems, which apparently were unanticipated. But one of the things—just to understand some of the complexity of this thing and, you know, we share, the agency shares in creating some of the complexity and a lot of others do too. I think there is enough blame to go around in this one in terms of creating a monster. But there is something like 75 million transactions a month that are entered in nationally, not just in those areas in the test, and there are 800 data points. So trying to get quality control of the information entered has been virtually impossible. Plus I have forgotten how many millions of management codes we have, some of which have only $5,000 deposited. Nobody has ever asked the question what information do we need to manage the agency. And I would like to say being a forester, it is probably because people like me were running the outfit and our knowledge and interest was on the natural resource side and frankly, that is where the public's and Congress' has generally been. It is when we started and when OIG and others really began looking at a lot of those that we began realizing just how inadequate our financial information is to make good decisions.

You made a point earlier that I would like to re-emphasize, and that is that if we do not get good financial information, we might as well give up the rest. All the other ideas and things we got just do not make a lot of sense. Until we can account for what we have got, what we own and what we are spending and what we are collecting, the rest of it does not make a lot of sense right now. So the energy and the effort are going into trying to make the financial system work.

Now while we are trying to get this Foundation Financial System up and running, we are not sitting around. One of the things that every forest, every unit is doing is going through all of its property inventory, it is doing appraisals on its facilities, it is updating a data base we have got called infrastructure, which will give us finally I think a good measure of what we own and what condition it is in, which is another question. We have made estimates of our backlog and facilities maintenance.

Mr. HORN. On that very point of the appraisal and condition, has the national headquarters given the basic scale of what degree of degradation, shall we say, in housing, offices in the forest—how are we getting at that so you can get some comparability of data between forests?

Mr. STEWART. I think there is also a new system being implemented for looking at our recreation facilities too. I am trying to remember the name of it. Right now, we do not have a very consistent way of doing that and it probably is very different from unit to unit across the country.

Mr. HORN. Let me move to the Knutson-Vandenberg legislation again and ask GAO, what recommendations have you made to produce a working budget in this and does anything concern you on the previous dialog Mr. Davis and I had about taking the funds from Knutson-Vandenberg and using them for firefighting and then

hoping Congress in its largesse will refill the pot. What kind of situation do you see here?

Mr. MEISSNER. I think you correctly said that this is a nice viable pot of money and it is easy to have access to and it probably works OK as long as it is restored. There is a new piece of data though that I did not say earlier that is kind of significant here. The Forest Service runs in the K–V program about $180 million a year in expenditures. By their own estimates, not mine, the Forest Service, at the end of fiscal year 1999, is only going to have $230 million left in the fund. Now it does not take very much time if I am running $180 million a year in expenditures and I have only got a balance of $230 million. The balance will not last very long. Since the Forest Service generally has a 2-year budget process, you can see, it will not even cover the next 2 years. They may say that they keep adding money to the fund, but you need to remember that every dollar they add to the fund sets up another obligation for another project. So yes, while more money is added every year, the amount that is added every year, because of the decreasing timber program, is going down substantially. So it is only a matter of time before there is not enough money in that fund if it is not restored. So the answer is easy. You have $900 million worth of projects but you have only $233 million left in the fund, that is a difference that cannot be sustained. They are going to have to get the money someplace else.

Mr. HORN. Has the Forest Service thought about that issue, as things decline? What is the thinking?

Mr. STEWART. Well, first of all, obviously we have depended on collections from our timber program to do a lot of good work on the ground. As I said, originally the intent with K–V was to make sure you reforested the harvested area. In recent years, that expanded to include wildlife habitat improvement, watershed improvements, and a lot of other things. We have funded a lot of work through that program, but we are not cutting 11 to 12 billion boardfeet any more, it is about 3.5 billion. So we are not collecting the receipts. So we have gone back, with the administration's support, and proposed direct funding through appropriations much of that same work, and not rely on timber receipts and timber generated revenues in order to conduct those programs.

Along with that, there has been a related thing, and Mr. Davis brought this up, this issue of rural communities and the tension between rural and urban communities on the whole timber program, because rural counties oftentimes get a significant amount of the revenue for roads and schools from timber receipts. Now they get them from all receipts, including recreation receipts, but those have been in the past relatively small compared to what has come out of the timber program. So as our timber program has gone down, the counties have seen marked declines in their budgets.

There is also an administration proposal that was sent by the Secretary of Agriculture earlier this year to find a way to fund the county school and roads programs, that portion of the so-called 25-percent fund, from a permanent and definite appropriation. That is being considered in Congress not likely, the way it looks, to be passed this year, but at least it is out on the table being debated. Again, it is this link that so much of what we did was tied to re-

ceipts collected from the timber program which is no longer there. How do you get that work done? Similar situation with the recreation program, if you cannot do the program with appropriated dollars because of the constraints on the budget, how—you either do not do those things—and I have not heard people tell us to close campgrounds, close trails, and not to clean the toilets—how do you fund those things? It is creating, I think, a whole new area of debate about how we fund the Federal land management agencies. It will be very interesting over the next several years.

Mr. HORN. Let me ask you both, is it fair to call the Knutson-Vandenberg Fund an off-budget fund? My experience with off-budget funds is the budget control agency, be it State or National, take into account when you have got a trust fund and say oh, gee, that is interesting, we will just cut your budget elsewhere. Now what kind of experience have you had on the reforestation, do the authorizing committees say wait a minute, we know you have got that pot over there, do not cry so much, et cetera—what has your experience been?

Mr. STEWART. I am sure our authorizing committees have altruistic motives in trying to do the best balance for the Forest Service. I think that is a danger that is always there. It is kind of like is it easier to dip than to fully fund an emergency fire program which is going to be on budget. Everybody can play a game, and what I am saying is something Chief Thomas said before me, before the appropriations committees, we sort of played a game with the fire budget in that rather than coming up with a budget buster and funding the program for what you really need to, using like a 5- or 10-year average of what we spend for firefighting, it is much easier to sort of ignore it and pay for it later. In the meantime, borrow against available funds. I cannot say that they have purposely done that or that the administration has, at least, there has never been any discussions in which there has been purposeful tradeoffs of those kinds of things.

You are correct though, it is not a free lunch. The rate at which you can use the funds in a year is controlled by OMB through their apportionment. In fact, once, we actually triggered the apportionate part of the NA Deficiency Act in our fire program, which was I believe in 1996, in which we underestimated what the expenditures were going to be and we had the money, which was K–V and perhaps other funds, and we spent it, but it was above our apportioned amount and therefore we triggered it.

Mr. HORN. I was going to ask on other funds, are there any other funds similar to the Knutson-Vandenberg Fund available to the Forest Service?

Mr. STEWART. We have a number, we have the reforestation trust fund and——

Mr. HORN. Is that the Weeks Fund, or which one? Senator Weeks in 1911 or so?

Mr. STEWART. Mike may know. I am not sure exactly. There is a number, salvage sale fund is another one which is available to the Forest Service where it does not have to be appropriated. As I say, the reforestation trust and some others.

Mr. HORN. Well, why do you not just give us a nice little chart to put at this point in the record?

Mr. STEWART. Be easy to do.

Mr. HORN. OK.

[The information referred to follows:]

Enclosure D
Forest Service Management - July 7, 1998 Hearing
Bellflower, California

Reply to request in transcript, page 75, line 1732

Permanent & Trust Funds

	$ in Thousands	
	1998 Final	**1999 Presidents Budget**
1. Cooperative Work: Knutson-Vandenburg (K-V)	$143,000	$133,000
2. Cooperative Work: Other	$53,364	$53,364
3. Brush Disposal	$24,000	$25,900
4. Licensee Programs	$121	$121
5. Restoration of Forestlands & Impv.	$600	$600
6. Recreation Fee Collection Costs	$1,125	$975
7. Recreation Fee Demonstration Program	$16,000	$20,000
8. Purchaser Election Program	$6,499	$6,499
9. Timber Salvage Sales	$171,000	$159,000
10. Timber Sales Pipeline Restoration Fund	$2089	$4,285
11. Receipts for Roads and Trails	$28,342	$27,371
12. Midewin NTP Rental Fees	$1,200	$1,200
13. Midewin NTP Restoration Fund	$5	$100

14. Operation and Maintenance of Quarters	$6,772	$8,000

Mr. HORN. What is a typical amount and what is in there now, this kind of thing.

Mr. STEWART. I do not have the number with me.

Mr. HORN. No, we will just put them in the record and clean up the record in the next 3 weeks, if you could.

Moving to the accounting group again, do we know how standardized the accounting is among regions of the Forest Service, or are there differences in accounting? Do you pretty much have each regional end of the Forest Service do things in the same way on the accounting, for accounting purposes, or is it just—is there no uniformity in this? That is what I am curious about. Has GAO looked at that?

Mr. MEISSNER. I think we can respond to that.

Mr. STEWART. And I am sure I will be in agreement with you. [Laughter.]

Ms. CALBOM. You know, that has been part of the problem, and I know that policies and procedures are being developed now and have been and are starting to be implemented, but the whole autonomous structure has been part of the problem that has got the Forest Service in the mess it is in today.

Mr. HORN. So the question is how far are we coming to get comparability between regions?

Mr. STEWART. A long way. The philosophy had been historically that everything was decentralized. That goes back to a principle that Gifford Pinchot had, and it really related in those days to the natural resource side of things. In other words, you could not nationalize decisions that needed to be made locally because the conditions were best understood by the local manager. We took that to the extreme in almost everything and generally only provided very, very broad guidance on almost every aspect of management of the Forest Service, and as just was pointed out, that is probably the strength of the agency and also its biggest weakness.

The philosophy now is decentralize natural resource decision-making, centralize the business information. So we are standardizing everything from our natural resources data bases and our financial data bases and there will be less flexibility for local interpretation, much tighter controls over what kind of data goes in and how it is used, what kinds of analyses are performed and so forth. But that is a major change in philosophy and it has not come easy because it has gone against sort of the culture of the organization.

Mr. HORN. Any comments.

Mr. MEISSNER. This is an exceptionally decentralized organization and I cannot emphasize that any more, which allows a great deal of creativity. As Mr. Stewart said, some times creativity adds to insight, but when you are creative with the accounting system or creative with the way you account for funds, that probably is not on the good side of that equation. To repeat, it is an exceptionally decentralized agency. We have never, whenever we have looked at programs, found consistency. There is one Forest Service standard, but if we go to three locations, we may find three different ways of doing business and that is commonplace within the agency, and it is something they really have to fight hard against. It is really a difficult situation that they have accepted over decades, this decentralized creative accounting system and the way they account

for funds and the way they do business. And to say we are not going to do that any longer is a major change in their culture and it is not that easy to accomplish.

Mr. HORN. Well, I do not want to thwart creativity either, I might say. I know that battle of headquarters and field, we all do it, I think. The only way to break some of that down is you move people back and forth so they understand "Mile's law," where you stand depends on where you sit.

Mr. STEWART. I did not realize that was from Miles, I have used it frequently.

Mr. HORN. That is Rufus Miles, Assistant Secretary for Management in HEW and there is a whole article he wrote under the Public Administration Review, where all the little corollaries go on too.

The Knutson-Vandenberg Fund I understand had, at least at one point in time, as much as 27 percent of the fund was taken for overhead. Is that about the current figure?

Mr. STEWART. That is about the current national average I believe, yes.

Mr. HORN. What do we do with that 27 percent overhead? What happens to it?

Mr. STEWART. Our position is that we pay for the indirect costs; that is, management oversight and the costs of providing that management oversight, for common services such as space, computers, utilities, phones, and so forth, and for common services such as personnel management. We pay for that two different ways. One is with general assessment, and that is defined by Congress and every year we go forward with a definition of how we are going to spend that money on what specifically. But mostly that goes unless you cannot identify a benefiting function without going through a Herculean effort. But the first rule is if you can identify a benefiting function, it will pay for those costs. They are called indirect in that the direct costs are the person going out and planting the tree or the people immediately close to the ground. But they cannot do their work if they do not have space, if they do not have vehicles, if they do not have telephones, and if they do not have oversight.

Mr. HORN. Is the 27 percent directly related to the remainder and how that is expended, or is the 27 percent just thrown into a Forest Service pot to help lower their actual budget expenditures for support services that have nothing to do with reforesting trees in the National Forest Service?

Mr. STEWART. I cannot tell you what individuals do, I can tell you what at least the philosophy is, and that is to charge against those funds, the trust funds—and there is more than K–V, as we were mentioning.

Mr. HORN. Yeah.

Mr. STEWART. To try to attribute to them, as closely as we can, the actual overhead costs, if you will, or indirect costs. That is one of the reasons if you were to look at the different funds and GAO looked I think at five different trust funds, that the rates of indirect charge are different between them. The K–V is about 27 percent, I think.

Mr. MEISSNER. K–V is on the high side.

Mr. STEWART. Yeah, and the others are lower. But the others, if you were to look at what it costs in terms of space and other kinds of things to deliver them, are somewhat less, and so in an attempt at least to try to get at the real costs, the rate at which they are charged is different. So it is not an arbitrary—we need 27 percent or we need X number of dollars—that works out to be 27 percent. There is at least an attempt to try and calculate what the actual space used and so forth, and apportion it out accordingly.

Mr. HORN. I am tempted to say that trees cannot squeal, but maybe the other trust funds have advocacy groups that squeal a lot. I mean, is that true with Knutson-Vandenberg?

Mr. STEWART. Well, you have John Hofmann here from the timber industry, I am sure he will squeal about the salvage sale funds.

Mr. HORN. OK. I am curious what GAO has, do you have some basic ground rules you have developed over the years as to how one attributes overhead and distributes overhead and charges against a fund for overhead? GAO, any guidance on that?

Mr. MEISSNER. Absolutely. A couple of things about this, I think your 27 percent would not be so serious except that since 1993, it is a 50 percent increase. So I think the significant thing is not just that it is 27 percent, but in just a 5-year period of time, the proportion has increased 50 percent over what it was. That is a remarkable change over a short period of time.

We are currently doing some work for Congressman Smith and House Agriculture on looking at overhead overall, and there are some problems with the definitions. It is not as easy as indirect and direct costs, and there may be some questions about whether the current definition that the Forest Service uses even complies with Federal standards. That is some work that we are working on right now.

Mr. HORN. Well, is the Federal standard the Office of Management and Budget?

Mr. MEISSNER. Again, it is an organization that has now developed some standards, I think they were published July 1995, if I remember the date correctly.

Mr. HORN. Are you talking about the accounting board——

Mr. MEISSNER. Yes.

Mr. HORN [continuing]. Standards.

Mr. MEISSNER. Yes.

Mr. HORN. Has OMB ever adopted them in one of their A circulars and given guidance to the executive branch as to how you figure that overhead?

Mr. MEISSNER. For purposes of the definitions, they have published a document over their signature on how they define the terms. I may have to rely on Linda for that.

Ms. CALBOM. All FASAB standards are in effect adopted by OMB.

Mr. HORN. Yes, spell out what FASAB is.

Ms. CALBOM. The Federal Accounting Standards Advisory Board.

Mr. HORN. Right, and is it made up of people from outside the Government as well as in?

Ms. CALBOM. It is primarily inside the Government. You have got OMB——

Mr. HORN. I thought we had some leading accountants on there.

Ms. CALBOM. Not on this—well, these are leading accountants currently on the board; for instance, GAO's chief accountant sits on that board, who spent many, many years in a big six firm, so we do have some—in that context, we do have some outside accountants. There are some—for instance, Don Chapin, the former chief accountant of GAO is on that board as well.

Mr. HORN. So they have issued some standards.

Ms. CALBOM. Yes this is the cost accounting standard.

Mr. HORN. OK, now has the Office of Management and Budget adopted those standards?

Ms. CALBOM. Yes.

Mr. HORN. OK, what is the circular, do you know? The staff can get it.

Ms. CALBOM. I am not sure which circular, but OMB publishes the FASAB standards, but I am not sure——

Mr. HORN. So that is presumably the guidance you are following. That is all I am curious about.

Mr. MEISSNER. It is not the guidance they are currently following.

Mr. STEWART. I was just going to say, I doubt that it is right now or we probably would not have a problem with definition.

Ms. CALBOM. Yes, that statement number, statement four I believe it is, has—the cost accounting standard which is just in effect for fiscal year 1998.

Mr. HORN. OK, I am just looking here at what else I want to pursue before we get back to some other aspects here.

Let me ask you one final question and then we will let you go, unless some of you are going to stay here during the other witnesses on panel two. I would appreciate it, because we might have some questions come up where we would like to ask you about them.

You are familiar with the Government Corporations Control Act, that has been on the books for I think about 50 years. Under it, Government corporations get separate treatment because they have large numbers of business-like transactions. The Hoover Commission liked a lot of this also. The question that comes up, has the U.S. Forest Service given any thought to its basic structure as it enters the second century? Would a corporate structure be a better way to go, would it give you more flexibility, than the sort of present non-corporate structure? In other words, there are various corporations—TVA was the prize one. The Department of Agriculture and the Department of the Interior all loathed TVA in the 1930's because it took their mission away in seven States. But it worked, and they developed those seven States and integrated their planning over those seven States. I was just curious, in your long-range thinking, is that a possibility?

Mr. STEWART. Just two comments. One is I guess it has been about 4 years now, we did a major internal reinvention effort. Interestingly enough, I had not thought about that in the context of what you are saying, but when it did propose some restructuring, it basically did not change the fundamental levels of the organization. In other words, it still had a national headquarters, a regional, and the local forests. What it did was combine regions and

that turned out to be a very hot topic, when you proposed to close Missoula, MT as a regional office, for instance.

Mr. HORN. Their School of Forestry would not appreciate that.

Mr. STEWART. No. And a few others too.

Mr. HORN. Yeah.

Mr. STEWART. But to my knowledge, other than sort of tinkering around the margins with the current organizational structure, in recent years, there has been no serious look at a significant restructuring. I will say that one of the things that is refreshing about our new chief operating officer, Francis Pendolphy, because he does come in with a private sector view, is tending to ask a lot of questions that would lead one to think that once we get along in the financial management, that we will be taking a serious look at how we are organized to do business, and whether the way we were organized in 1905, which is basically the structure we have today, is really the way we ought to be doing business now. So while it has not been, my guess is, given where Francis is coming from, once he gets on top of the financial things, that will probably be about the next thing he will want to look at.

Mr. HORN. That is very interesting.

Mr. Rogers, my last question is to you. This Adventure Pass that you have talked about, mentioned, I have heard some gripes from some citizens in southern California that jiminy crickets, they are charging us to pull over off the highway and look at the scenery of a national forest or take the kids and wander into the forest. Just give me a feel for how that system works? I mean, can you buy the Adventure Pass for an hour of driving through a forest, or is it a day, is it a week, is it a month? What is the price, and you did note that I guess 20 percent were not too happy with the idea.

Mr. ROGERS. Twelve percent.

Mr. HORN. Yeah, 12 percent. Give me a feeling for how that is administered and what the costs are. Idlewild, I think some people I knew had been up to Idlewild were bothered by it and a lot of the merchants were bothered by it and they sort of ran into a lot of angry people. So tell me your side of it and how it works.

Mr. ROGERS. We have two sets of situations. We have communities inside the national forests, like on the San Bernardino and up at Idlewild, that feel they are already there and they should not have to pay to use the national forest that surrounds them, and then you have people that are outside the forest, that essentially do have to pay if they come into the national forest.

But there are exceptions to that. We have all along the front country of the Los Padres and the Angeles, people that hike in do not need an Adventure Pass. It is primarily for the users that come in with carloads of coolers and all the paraphernalia it takes to have an outing on the forest and then essentially when they leave, they leave all that behind. We had no way of keeping up with the clean-up cost.

So to answer your question, there are two forms of Adventure Pass. There is a $5 pass for a daily visit. If you are going to go into the national forest and stop anywhere, you need to have that pass displayed, or if you are a frequent user, you can buy a $30 annual pass and then you are free to come and go as you want as long as that pass is displayed in your vehicle.

Mr. HORN. So it is $5 per car, is it, essentially?

Mr. ROGERS. Correct. We tried to make it as unobtrusive as possible. There are some forests that require everyone to wear a tag and we did not want to do that. We wanted to make it very easy for people to comply with it. We knew there was going to be resistance right off from the beginning because people have had free access to the national forests for all the time that we have had them here. I just recall back though when we introduced campground fees in the early 1960's, we had similar concerns about why do I have to pay a fee to use a campground, but there were special services provided that were extra costs and that was a way of defraying those costs among the frequent users rather than over all the taxpayers.

Mr. HORN. How much are we collecting?

Mr. ROGERS. Ron Stewart said we might talk about how we came up with the fees. There was actually a lot of analysis that went into the fees. The research that we talked about by San Bernardino State was based on user surveys on all four national forests, of current users on the forests. Users were asked if they—under what conditions they would pay a fee, and the comments back were they did not want to pay a fee. But the overriding comment we got back was if the money stayed on the ground locally, they would have less resistance to paying a fee.

The researchers also talked about the fee structure, because we did not want to drop out the lower income level of the population from using the national forests. Many of the diverse users that we have coming to the forests go to Disneyland at least once a year, they are paying $26 a person to go there and taking whole families. Most of them felt that the $30 annual pass was a good deal. We have been running a recreation fee program in San Gabriel Canyon on the Angeles since 1988 and we have to actually close the road at about 10 a.m., because it is up to capacity and anything more than that, we would start getting resource damage. So the fees have not deterred people from using the forests. I know we have got users that will not use the forest because they are paying a fee, but we have got new users that are coming to the forests every year, they are willing to pay the fee and we are actually having to turn many people away early on weekends and early in the mornings because we are at capacity already.

Mr. HORN. What is the amount you have raised? When did you start it, let us start there.

Mr. ROGERS. We actually started charging fees in July 1998—1997, excuse me, 1997. And at the end of December——

Mr. HORN. So you have had a year's experience.

Mr. ROGERS. As of this July, end of July, we will have a year's experience, correct.

Mr. HORN. So how much has been collected so far?

Mr. ROGERS. Well, we had a mid-point. We had $7.8 million as of March 31, 1998—excuse me, $1.78 million.

I need to also share with you the premise of this program was based on whether it would be successful with a 30 percent compliance rate, knowing you were going to have difficulty taking a population that had it free in the past and then having a fee paid. We knew we were going to have non-compliance. So the projections of

the program were based on a 30 percent compliance rate and we are getting up to a 60–70 percent compliance now over this last fourth of July weekend on our particular national forest.

Mr. HORN. Now what does happen to it, does most of that money stay on the Angeles forest?

Mr. ROGERS. The money we collect on the forest comes back to the forest for re-investment.

Mr. HORN. So they do not have a 27 percent overhead on you?

Mr. ROGERS. No.

Mr. HORN. OK, that is good news. I am getting to feel better when I buy the Adventure Pass. Now I am told there is ticketing of people who do not have the pass on. How does that system work?

Mr. ROGERS. Actually, it is a non-compliance form that they get and they are able to rectify not having the ticket by buying the recreation pass and furnishing evidence that they have done so. We have been trying to take an educational approach rather than a heavy hammer.

Mr. HORN. How much does that non-compliance ticket, if you will, cost?

Mr. ROGERS. It is the same thing——

Mr. HORN. Same thing, $5 or $30 for the year.

Mr. ROGERS [continuing]. $5, or if they choose to buy the $30 pass, and many of them do, just so they have it taken care of.

Mr. HORN. The staff wonders, like all youth, wonders if you accept credit cards.

Mr. ROGERS. Well, that is one of the components that we were designed to test and that we are working toward. We are not there yet. We had to crawl before we could walk and we have got to walk before we can run.

Mr. HORN. A few years ago when I was drafting some legislation on a new entity in the Federal Government, we looked around and very few agencies had the authority to receive gifts, and of course that is too bad, because a lot of people would like to help the forests and what-not. Now do you have the authority to receive gifts in the Forest Service.

Mr. ROGERS. No, we do not. Now we do through our——

Mr. HORN. Say somebody leaves an estate to you, it might be trees or it might be money and trees.

Mr. ROGERS. We have had land donations but we have to go through a regular process to accept those donations. The lands have to be appraised for the estate and we have to make sure there are no hazardous materials on the property before we take it.

Mr. STEWART. Forest Service Research, I believe in their authorities has a broader authority to accept contributions and so forth from other sources, but National Forest System, other than the lands that I am aware of, I do not think so. We also have the National Forest Foundation, which can accept private contributions of funds to conduct work on the national forests.

Mr. ROGERS. I did want to go back to a statement that I made. The private vendors that we have signed up, do take credit cards. We do not have the capability presently at our Forest Service offices to accept credit cards, but that is something that we are trying to implement.

Mr. HORN. But your concessionaires obviously do.

Mr. ROGERS. They are regular business people. And one of the comments we have gotten back from our concessionaires—we did a workshop here at the end of March—many of our concessionaires have realized an increase in business, people are coming in for the pass and are buying other things there too. So we have a lot of very supportive vendors that were very skeptical when they signed up.

Mr. HORN. Well, this has been a very interesting dialog. I am sorry to take so long, but I am interested in a lot of these questions. So staff might send you some on both sides additional for rounding out the record, and we would appreciate it if we could get the answers back in a couple of weeks.

Mr. ROGERS. Mr. Chairman, who do we provide our inserts into the record to?

Mr. HORN. Just give it to Mr. Ebert over there, Matthew Ebert, he will take care that it goes in at the right place.

Mr. ROGERS. Very good, thank you.

Mr. STEWART. Thank you very much.

Mr. HORN. Well, we thank you all for coming, thank you.

We will take a 5-minute recess before panel two.

[Recess.]

Mr. HORN. Let us just make sure we have everybody in the right place. Mr. O'Toole, Mr. Stahl, Mr. Roddy, Mr. Hofmann, and then we have over here Mr. Corcoran, Mr. Berger, Mr. Coyne, and Mr. Clark. OK, gentlemen, if you will stand and raise your right hands.

[Witnesses sworn.]

Mr. HORN. The clerk will note all eight witnesses affirmed the oath.

All right, we will begin in the order in which they were placed in the agenda. We have Mr. Randal O'Toole, an economist with the Thoreau Institute. Mr. O'Toole.

STATEMENTS OF RANDAL O'TOOLE, ECONOMIST, THOREAU INSTITUTE; ANDY STAHL, EXECUTIVE DIRECTOR, FOREST SERVICE EMPLOYEES FOR ENVIRONMENTAL ETHICS; MICHAEL RODDY, PRESIDENT, GREEN FRAMING SYSTEMS; JOHN HOFMANN, VICE PRESIDENT OF GOVERNMENT AFFAIRS, CALIFORNIA FORESTRY ASSOCIATION; BILL CORCORAN, PUBLIC LANDS ASSISTANT, SIERRA CLUB; ADAM BERGER, STAFF ATTORNEY, EARTH JUSTICE LEGAL DEFENSE FUND; ALASDAIR COYNE, CONSERVATION DIRECTOR, KEEP SESPE WILD; AND VAUGHAN CLARK, FREE OUR FORESTS

Mr. O'TOOLE. Thank you, Mr. Chairman.

This morning, we have heard testimony on a wide variety of topics—below-cost timber sales, the Knutson-Vandenberg Act, recreation fees, fire policy, and accountability. I would like to tie all of these things together with one word, and that word is incentives.

Incentives is an interesting word. It is almost becoming a loaded word. When we say an agency like the Forest Service responds to its incentives, some people bristle and think oh, we are saying they are corrupt or they are selfish. But that is not true, what we are saying is they are human beings, and all human beings respond to incentives.

Let me give you an example. In 1990, the Economist magazine sent a reporter to the Soviet Union which was still in existence for another year or so, and the Economist interviewed factory managers and found out that after 70 years of central planning, the typical Soviet factory manager had no idea of what terms like sales, profits, and costs meant. Those things were not important to a centrally planned factory manager, like they are important to a marketed factory manager. The Economist concluded that it would be very difficult for the Soviet Union to move into a free market economy. Well, I read that article and I thought boy, I am sure glad it is not like that here.

Then I remembered conversations I have had with Forest Service officials over the years in which they talk about appropriations from the Congress out of tax dollars to the Forest Service as receipts and dollars that they pay back to the U.S. Treasury as losses or costs. Now that is exactly the opposite of the accounting stance that a taxpayer would take. They would say that money going to the Forest Service is a cost and money coming back to the Treasury is a receipt. But we have given the Forest Service incentives to think of tax dollars that are appropriated as receipts and money going back to the Treasury as a cost, and so they do.

As a result, they act as if it is in their best interest to lose as much money as possible. We have given the Forest Service an incentive to lose money and it has done a good job. It loses $2 billion a year managing the national forests.

Let us talk a minute about below-cost timber sales. Now the Congress gives money to the Forest Service for timber sale preparation and administration. The Forest Service then sells the timber, collects receipts and gets to keep the receipts in its Knutson-Vandenberg or salvage sale fund or another fund, and whatever is left over goes back to the Treasury. Congress until recently has never asked the Forest Service how much are you returning to the Treasury. Are you returning to the Treasury what it is costing the Treasury? As a result, the Forest Service has not ever—until recently, did not ever bother adding it up. They never compared the receipts and costs. In fact, they have two completely separate offices, they have an office called fiscal that does receipts and an office called budget that does costs.

If you go to the San Francisco Regional Office, the two offices are on different floors. If you go to the Washington office, they are in different cities. Fiscal is in Rosalyn and Budget is in Washington, DC. So they never talk to each other and they never compare receipts and costs. Now they are just beginning to do that. They have the all-resources reporting system, but there is all kinds of problems because they have never thought about it in those terms because they do not have incentives to think about it in those terms.

In the last 10 years, national forest timber sales, of course, have nose dived. The regular timber sale program, the non-salvage sale program, has dropped by about three-quarters, but Congress, perhaps in sort of a voodoo mentality, thinks that if it forks over enough money to the Forest Service, that some timber sales will come out the other end. As a result, the total reduction in the national forest timber budget has only gone down by about a third. So with sales down by three-fourths and the budget down by a

third, that means the average cost of a thousand board feet of timber has doubled or tripled.

You give a bureaucrat some money and say you had better spend this at the end of the year or you will lose it, the bureaucracy will figure out a way to spend that money. And it does not matter if it is $50 a thousand board feet of $150 a thousand board feet, they will figure out a way to spend it because they have an incentive to, because they do not want to lose it.

So below-cost timber sales are not the result of environmental requirements, they are not the result of NEPA documents, and they are not the result of poor accounting; they are simply a result of bad incentives. We have given the agency an incentive to lose money and it does a good job.

Let me talk about the road prism for just a second because somebody was asking about that, I cannot remember whether it was you or Mr. Davis. But the road prism dealt with the fact that the Forest Service had decided that basic road costs were a capital investment. Now I am raising my fingers when I say capital investment, to put that in quotation marks, because their attitude was it was a capital investment, it never has to be paid back, we never have to justify that investment. So they would just write it off as if a corporation could build a factory and then say it did not cost us anything to build the factory, we never have to sell anything made out of that factory because it was a capital investment.

Or let me put it another way. Let us say you have a swimming pool in your backyard. And I come to you and say for $5,000, I will be glad to fill up your swimming pool with cement. And you think well, that is a capital investment. If I have a concrete block in my backyard instead of a swimming pool, my house will be worth $5,000 more. Not likely. Your house will be worth less. Just because you spend the money does not mean you have gotten anything out of it. But that is the way the Forest Service has been treating roads. They spent the money and so they write it off because it is a capital investment and we never have to pay it back.

Now the Knutson-Vandenberg Fund reinforces the incentive to lose money. Not only does the Forest Service get to lose money on the money that Congress gives it out of tax dollars, when the Forest Service sells a timber sale, it gets to keep the receipts from that timber sale in the Knutson-Vandenberg Fund or in another fund. Some forests keep a huge percentage of their total receipts in one of these funds—the salvage sale fund, there are four or five funds in all. By the way, Ross Gorte of the Congressional Research Service has done an excellent review of all the different funds and you might want to ask him to give you a copy of that.

Well, this Knutson-Vandenberg Fund, which is called the Knutson-Vandenberg Trust Fund, but is not legally a trust fund, it does not meet the legal requirements of a trust fund. If it did, it could not be raided and you would not have so much going into overhead and so on. But we create all kinds of weird incentives with this fund.

Let us look at overhead. The Forest Service calculates how much overhead they can charge by how much overhead they are spending. So the more inefficient they are, the more money they get to

keep out of the Knutson-Vandenberg Fund as overhead. They have an incentive to be as inefficient as possible.

Let us talk about how this relates to how they design a timber sale. Most national forests have some timber that is very valuable. In other places on the forest, they have timber that is totally worthless, you would have to pay people to take it away. Well, the Knutson-Vandenberg Fund says that—or the act says that you can take K–V money and spend it in the timber sale area. Well, let us say I am a bright forest manager and I want to do some good things over in the worthless part of the forest with K–V money. Well, then I have to sell the timber there because I have to spend the money only in the areas where I have a timber sale. But nobody will buy that timber, so what I do is I take valuable timber elsewhere on my forest, combine it in the same sale with the worthless timber and sell the valuable timber for less than it is really worth in order to pay the purchasers to take away the worthless timber. Timber purchasers call the worthless timber punishment units because having to cut that worthless timber is their punishment for getting the valuable timber for less than its real value. So in that way, the Forest Service ends up getting more K–V money, but taxpayers lose—and incidentally counties lose because the gross receipts are lower and so their 25 percent share is lower.

Now we have also talked a little bit about recreation fees. You know, it is interesting, when the Forest Service first started charging timber, there were protests from timber purchasers that they did not want to have to pay for the timber that they had been cutting down for free. When they first started charging for grazing, there were protests from ranchers that they did not want to have to pay for grazing that was free.

Well, I am a subsidized public land user myself, I own a Forest Service cabin, it is on the Mount Hood National Forest, I am within walking distance of two wilderness areas. In the winter, I can go out cross country skiing outside my door. I am a few steps away from a blue ribbon fish stream. I pay the Forest Service $35 a month to lease that site on which my cabin is located. That is way less than what I would have to pay if I were paying a private landowner.

Now it is interesting, the Forest Service does not really care how much I pay because they do not get to keep any of the money. If I paid $3,500 a month, they would not get to keep any of the money, so they do not really care how much I pay, and that is part of the incentives. If you have an incentive to care about how much you will pay, then they will make sure that you pay a fair amount.

Now the Forest Service is talking about re-appraising cabins and charging them more and the cabin owners are all upset, but I have to think of recreation fees and other fees in terms of the incentives they create. If I am willing to—if I want to use the national forest, I have to pay rent to the other 260 million owners of that national forest system. I cannot say I own it so I get it for free, there are 260 million other owners and I have to pay them rent. But more important, I have to give them incentives, I have to give the managers incentives to provide me with the kind of recreation experience that I want. And if I am not willing to pay, then they will not

be willing to provide me with that recreation experience. That indeed is the problem we have had in the 1970's and 1980's as the Forest Service was cutting more and more timber because it got all kinds of rewards and incentives for cutting timber, but it was cutting the timber in valuable recreation areas where it got no reward for the recreation.

So I support the Recreation Fee Demonstration Program, but the problem with the Recreation Fee Demonstration Program is that Congress has set it up like the Knutson-Vandenberg Fund. First, Congress pours out a whole bunch of money in recreation dollars out of appropriations and then they say you get to charge fees and you get to keep all those fees too. So the Forest Service will end up doing the same kinds of cross subsidies—and they have not done it yet, but they will end up taking the same kind of overhead and all the other kinds of problems that we find in the Knutson-Vandenberg Fund. So the recreation fee program will need to be revised when the demonstration is done to account for these problems, to give the Forest Service good incentives.

I want to talk about a couple of other problems real quick and then conclude by saying what I think are the right incentives for the Forest Service to have.

The first problem I want to mention is fire. Fire was only peripherally discussed this morning, but we have to realize that since 1908, the Forest Service has been given a blank check to put out fires. This has probably resulted in more environmental and ecological problems with the national forests than clear cutting or grazing or mining combined, because by putting out every single fire as soon as it can, we end up with this huge buildup of fuels, which transforms the ecosystems, which makes the forests much more susceptible to catastrophic fire, and the Congress has not changed this reward system. Although the emergency fire suppression fund, which was authorized in 1908 was repealed in 1980, Congress still has allowed the Forest Service—by allowing the Forest Service to borrow from the Knutson-Vandenberg Fund, has effectively given the Forest Service a blank check to put out fires.

Now firefighters in the Forest Service will tell you that the Forest Service puts out fires by throwing money on them until it rains and then the rain puts out the fire. [Laughter.]

In other words, there is no attempt to be efficient. I think if the General Accounting Office is still here, if they want to do a study, I think they would find that statistically lawnmowers and word processors are more likely to break down and need to be replaced during fire season so they can be replaced out of fire money, than at any other time of the year.

Now this brings us to accountability problems. You mentioned this morning, Mr. Chairman, that there is a conflict between the central manager who wants accountability and the decentralized manager who wants freedom. The problem is if you give the Forest Service or any agency an incentive to lose money, if you give them an incentive to harm the environment and then expect them to be accountable for it, you are creating problems. What we need to do is change the incentive system so that they will want to be accountable, but more important, so that they will want to make money on timber, so that they will want to provide people with the kind

of recreation experiences they want. If we change the incentive system, then the forest will work automatically and without the kind of controversy and gridlock that we have experienced.

Now how do we get those right incentives? I think we need to have three basic steps. First of all, stop giving the Forest Service money out of tax dollars. Instead, fund it out of its own profits. And it's important that it be funded out of its profits because profits really are what we want out of the national forests. Profits are a symptom of good management, profits are a symptom that you are doing things for people that they really want, more than it costs.

We tend to think nowadays that oh, the national forests, they are not supposed to be managed at a profit. But we forget in 1905 when Gifford Pinchot convinced Congress to transfer the national forests from the Department of the Interior to the Department of Agriculture, he promised Congress that he would manage the forests at a profit. In the 1950's, that promise was finally achieved. The Forest Service for a number of years did earn a profit, and I would argue that the Forest Service was at the apex of its reputation during those years. In fact, in a 1952 article in Newsweek magazine, they said "The Forest Service earns a profit, and as a result, most Congressmen would as soon abuse their own mothers as be unkind to the Forest Service." Well, today, with the Forest Service losing $2 billion a year, Forest Service abuse is a popular sport on Capitol Hill.

OK, so reward the Forest Service for earning a profit by funding it out of its own profits. No. 2, allow the Forest Service to charge a wide range of fees and to keep the profits from all of those fees, whether recreation or grazing or water or timber or whatever. And we will get a natural balance with a level playing field, a natural balance in the amount of recreation and timber and other resources. Finally, because there are a few resources such as biodiversity and archaeological sites and others that cannot be funded out of their own profits, create a trust fund for those resources with a share of the receipts dedicated to archaeological sites or historic sites or biodiversity, and let the managers of that trust fund decide how to manage those resources and how to give incentives for local forest managers to provide those resources.

So incentives are the key. And in any legislation that is proposed or considered, you must think about what are the incentives that are being created here, because usually Congress does not think about that and that is where we end up in a disaster.

Thank you.

Mr. HORN. We thank you. That is a very intriguing line of testimony, Mr. O'Toole, and thank you for coming.

Mr. Andy Stahl is next, the executive director of the Forest Service Employees for Environmental Ethics.

[The prepared statement of Mr. O'Toole follows:]

Testimony of Randal O'Toole before the Subcommittee on Government Management, Information and Technology of the House Committee on Government Reform and Oversight 7 July 1998

My name is Randal O'Toole and I am an economist with the Thoreau Institute, a non-profit organization dedicated to finding ways to protect the environment with minimal subsidies, regulation, or bureaucracy. This hearing is of particular interest to me because the Knutson-Vandenberg Act led me to new insights about what is wrong with the Forest Service and how to fix it.

Most people think of Forest Service employees and other civil servants as dedicated altruists who automatically make their decisions in the public interest. When we find out that some agency decisions benefit special interests at the public's expense or at a major cost to the environment, we feel betrayed.

In fact, such decisions are the predictable outcome of haphazard institutional design. The Knutson-Vandenberg Act is one such haphazard institution. Passed by Congress in 1930 with the good intention of providing a stable funding source for reforestation, the law was amended in 1976 with the good intention of providing a source of funds for wildlife, recreation, and other forest improvements.

But good intentions are not enough. We must also design our institutions carefully to insure that they accomplish their intended goals. Otherwise, we are likely to accomplish something quite different and probably something that does more harm than good.

During the 1980s, I had the privilege of reviewing the forest plans for more than half of the 120 national forests. In the course of those reviews, I analyzed the Knutson-Vandenberg plans for literally thousands of timber sales. I soon realized that the Knutson-Vandenberg fund was an important slush fund used by forest managers to support a variety of activities.

But Knutson-Vandenberg is more than just a slush fund. It also helps shape Foreset Service priorities and activities. This was brought home to me by a 1985 report written by a California district silviculturist.

The silviculturist had surveyed other district reforestation specialists and found that most thought that they were under intense pressure to meet targets, such as reforestation, precommercial thinning, and herbicide acreage targets. Moreover, to meet those targets, many of the silviculturists admitted to doing work that was unnecessary or to claiming to do work when in fact they spent the funds on something else. For example, some silviculturists claimed that they reforested lands when they really spent the money on timber sale preparation.

Recall that in the years preceding 1985 the timber industry was in a severe depression and was cutting very little national forest timber. This meant that there were few opportunities to reforest, spray herbicides, or do other post-sale activities.

I noticed that all of the targets that the silviculturists felt pressured to meet were for activities funded by the Knutson-Vandenberg fund. I also knew that, for every Knutson-Vandenberg dollar spent in the field, the regional office got to spend about ten cents on overhead and the forest supervisor's office got to spend about twenty cents on overhead.

Since national forest budgets are planned several years in advance, the regional and supervisors' offices had assumed that cutting levels, and therefore post-sale K-V spending, would remain at historic levels. When K-V spending fell instead, the overhead funds were that the regional and supervisors' offices had counted on were not available. Rather than fire personnel or close offices, agency officials tried to release overhead funds by pressuring silviculturists to meet targets.

The Knutson-Vandenberg Act itself does not authorize the Forest Service to spend K-V funds on administrative overhead. Instead, the law dedicates such funds to reforestation, removal of undesirable plants, and actions that protect or improve the productivity of the "sale area, including sale area improvement operation, maintenance, and construction, reforestation and wildlife habitat management."

You don't have to look at very many K-V plans, which are written for most timber sales, to find plenty of examples of spending of K-V funds on things that do not fall into one of these categories.

- First, the Forest Service typically spends a quarter to a third of K-V funds on administrative overhead.
- Second, managers often spend K-V funds well outside the sale area that generated the funds.
- Third, funds are often dedicated to things that have little to do with reforestation or improving forest productivity, such as radios, aerial photos, monitoring, computers, administrative site maintenance, and recreation interpreters.

But the misuse of K-V funds is only half the story. The other half is how the K-V fund shapes agency priorities and programs. While reviewing forest plans, I found numerous examples of timber sales that were planned not because the sales were a good idea but to raise money for the K-V fund.

For example, a district ranger on the Bridger-Teton Forest told me that he believed a particular part of his district was more valuable for elk than for timber. "But if I manage it for elk," he said, "I'll have only a little wildlife money. If I manage it for timber, I'll have both wildlife and timber money."

Timber cutting produces no benefits for fisheries; it can only damage water quality. Yet the Tongass and Targhee forests claimed that timber cutting produces significant fisheries benefits. What they really meant is that timber sales provide K-V funds for fisheries management.

The idea of using timber sales to raise funds for non-timber activities is actively promoted by the Forest Service handbook. The handbook restricts the use of K-V funds to within a quarter mile of timber cutting units. But it suggests that managers "consider desirability of additional timber harvest activities to maximize sale area coverage."

This attitude leads to significant cross-subsidization of national forest timber sales. Most national forests have some timber that could be managed at a profit and other timber so worthless that no one could afford to cut it even if it were free. To spread K-V funds around, forests often combine the profitable timber in the same sales as the worthless timber.

In effect, the Forest Service pays timber purchasers to cut the worthless timber by selling the valuable timber for less than it is really worth. Timber purchasers sometimes call the worthless timber "punishment units," because cutting them is the punishment they accept for being able to buy other timber for less than its full value. The result is lower returns to the Treasury, lower payments to counties, but increased budgets for forest managers.

Ultimately, forest managers adopt an unconscious goal of returning as little timber receipts as possible to the U.S. Treasury, instead keeping it in the K-V fund and their own budgets. Managers openly speak of payments made to the Treasury as "losses." "If it goes to the Treasury," they say, "Congress will just spend it on bombs or some other wasteful program." Of course, they never consider their programs to be wasteful.

One tool they use is the K-V plan revision. At any time in the course of a timber sale, the K-V plan may be revised so that managers can keep more of the receipts than originally planned. This can lead to some strange results. For example, in 1996, the Gifford Pinchot National Forest received $3.3 million in receipts from timber purchasers, but paid $16.2 million to its Knutson-Vandenberg fund by revising the plans for sales whose payments had been made in previous years. The result was that the Treasury lost $12.9 million before even counting any costs.

Managers can go to absurd lengths to keep as many of the receipts as possible. Private forest land owners typically spend up to $200 per acre reforesting after timber cutting. But with the Knutson-Vandenberg Act providing nearly unlimited funds, national forests spend up to $2,000 per acre on reforestation. When all K-V activities are counted, some forests spend $5,000 per acre or more.

The Knutson-Vandenberg Act may also influence timber practices. In many forest types, clearcutting imposes the highest reforestation costs. Yet in the 1960s and 1970s, clearcutting became the Forest Service's dominant forest practice. The K-V fund probably encouraged this by letting managers spend more money on reforestation—and therefore more on overhead—than when other forest practices were used.

In suggesting that the Knutson-Vandenberg Act shapes national forest priorities and activities, I am not claiming that national forest managers are corrupt or venal. I am simply saying that they are human. Like all humans, forest managers respond to incentives. When they sell a timber sale and generate K-V funds for wildlife, they feel rewarded even though the timber sale may lose money and harm wildlife habitat. As a result, they plan more timber sales and soon come to believe that timber sales are good for wildlife when all they really mean is that timber sales are good for wildlife budgets.

I believe that timber sales can play an important ecological and economic role in the national forests. But the Knutson-Vandenberg Act has led forest managers to go overboard, selling too much timber and losing too much money.

I also believe that forest managers can do the best possible job when they are given the freedom to work without red tape and bureaucratic constraints. But they also have to have the proper incentives. The Knutson-Vandenberg Act gives managers incentives to lose money, incentives to sell timber that shouldn't be cut, and incentives to cut in ways that are ecologically and economically wrong.

We shouldn't be surprised or angry when we find that public officials respond to their incentives like any other humans. We've given the Forest Service an incentive to lose money, and it did a good job at losing money. We've given the Forest Service an incentive to sell too much timber, and for many years it sold too much timber.

Fixing the Forest Service, then, means more than creating a new accounting system that imposes more red tape on managers. It means more than passing new laws or regulations that attempt to control every step that managers take. Forest Service reform will only succeed when it focuses on creating sound incentives:

- Incentives to control costs;
- Incentives to sell timber when timber is valuable but not when it is worthless; and
- Incentives to emphasize other resources when those resources are valuable as well.

If such sound incentives had been put in place years ago, we wouldn't have the forest gridlock that the national forests suffer from today. Replacing the perverse incentives with sound incentives is essential to restoring the Forest Service to the prominence it once held in the conservation community.

Mr. STAHL. Thank you, Mr. Chairman. Before I start on my own testimony, I want to make sure the testimony of Steve Horne, spelled with an "e" on the end of the last name, who is vice president of Forest Service Employees for Environmental Ethics, is included in the record. It is one page and Mr. Horne was able to be here today but he has a conflict he has to go to quickly and it was ambiguous whether he could find the time to get here. He did prepare testimony.

Mr. HORN. Without objection, it will be put in the record at this point.

Mr. STAHL. Thank you very much.

[The information referred to follows:]

TESTIMONY OF STEVE HORNE, VICE-PRESIDENT
FOREST SERVICE EMPLOYEES FOR ENVIRONMENTAL ETHICS
Before the Subcommittee on Government Management, Information, and Technology of the
House Committee on Government Reform and Oversight
Hearing on Forest Service Management Practices
July 7, 1998, in Bellflower, California

Mr. Chairman and members of the subcommittee, thank you for the opportunity to discuss administration of the Forest Service's off-budget trust funds and overhead. I am the forest archaeologist for the Los Padres National Forest. However, I speak to you today as vice-president of Forest Service Employees for Environmental Ethics (FSEEE), not as a representative of the Forest Service. I appear here on my own time and at my own expense.

The Forest Service administers three trust funds financed through the sale of timber: the Knutson-Vandenberg Act fund, Brush Disposal Act fund, and Salvage Sale fund. These funds have good intentions – the reforestation of cut-over lands, treating the logging slash and brush remaining after harvesting, and promoting the prompt use of salvageable wood as a result of fires or pests.

Over the years, however, the easy availability of large sums of money from selling timber has proven a strong temptation for the Forest Service bureaucracy. Beginning in the 1960s and accelerating through the 1980s, the Forest Service's appetite for timber sale receipts grew. The Forest Service developed ingenious methods for keeping timber sale receipts for its own use that would otherwise be deposited in the Treasury. The agency's increasing reliance on these sale receipts created a strong institutional incentive to sustain high levels of logging. Those incentives continue today, notwithstanding the substantially reduced logging levels brought on by forces outside the Forest Service's control, such as lawsuits to protect endangered species.

As logging levels and sale receipts have declined, the proportion of those timber receipts siphoned into Forest Service overhead has risen dramatically. The timber receipts remaining for on-the-ground reforestation, brush removal, and fish and wildlife habitat improvement has declined proportionately. The simple fact is that the Forest Service is letting its resource management needs suffer while it attempts to maintain a bureaucracy grown bloated by decades of high timber revenues.

The problems with high overhead extend beyond the timber trust funds. Throughout the nation the Forest Service is closing and consolidating ranger districts where most of the work of forest stewardship is carried out. Meanwhile, the agency's nine regional offices – the agency's mid-level bureaucracy – remain in place relatively unaffected. The Forest Service has become an agency dominated by paper pushers, while the ground ponders who steward the land and its resources find themselves at the narrow end of the financial pipeline. For an agency proud of its mud-on-its-boots heritage, it's a sad fact that more than half of the Forest Service's budget never reaches the forests where the work gets done.

I hope that this hearing is just the beginning of the committee's interest in this subject. FSEEE has several concrete proposals to reform the Forest Service's bureaucracy that appear to fit precisely within this committee's jurisdiction. Chief among these is flattening the Forest Service's four-layer hierarchy to three, thereby ensuring more financial resources are spent where the public benefits. On behalf of FSEEE, I look forward to a long-term dialogue with the committee.

Steve Horne is forest archaeologist on the Los Padres National Forest. He has worked for the Forest Service for 23 years. Horne has been a zone archaeologist for all the southern California forests and the archaeologist on the Plumas National Forest. Horne has also been a resource and recreation staff officer. Horne has a Ph.D. in archaeology from the University of California (Santa Barbara).

Mr. HORN. I would like to meet him sometime. People who spell with an "e" are usually of English background, without the "e" is German background.

Mr. STAHL. And of course, as I recall, the English did go to Germany to get their King one year.

Mr. HORN. That is true.

Mr. STAHL. Maybe the Horns were intermingled at that time.

Mr. HORN. As my Irish mother said, the brightest King of England is dumber than the worst President of the United States. [Laughter.]

Mr. STAHL. To very briefly summarize what Mr. Horne says—he is the forest archaeologist for the Los Padres National Forest and he has been in that position with the Forest Service for over 20 years. He has seen the perverse incentives that Mr. O'Toole talked about, he has seen the ingenious methods the Forest Service has used to keep timber sale receipts for its own use and he has also in particular seen the disproportionate growth of the mid-level bureaucracy in the Forest Service at the expense of the field units and the field personnel who do the on-the-ground management of our forests.

Today, Mr. Chairman, only about 40 cents of every Forest Service dollar actually goes to provide services to the American public on the ground, and the rest is basically eaten up in administration, supervision, oversight, and things that I do not even know what people do. Just one example, in Portland, OR, where the region 6, Oregon and Washington regional office is located, they recently sent me their staff directory. They have 500 people employed in the regional office, none of them manages a single acre of national forest land. They supervise the supervisors of the supervisors who do the management; 1 in 10 in the regional office is a personnel specialist. I thought that was not so bad, I mean maybe they were responsible for the personnel of the 19 national forests, but they are not. Those 1 in 10 are responsible for the personnel needs of their colleagues in the regional office. Each national forest has its own personnel department to take care of the personnel needs of that national forest.

It is a huge bureaucracy. It got big off of timber money. When you compare the Forest Service to the Bureau of Land Management, which manages more land with a billion fewer dollars than the Forest Service has, you can see—and the BLM did not have the timber money to get fat on. The ranchers were never willing to pay what the loggers were.

I wanted to focus on the Knutson-Vandenberg Act in my testimony. I am in a bit of a difficult situation because I work for Forest Service employees and they find themselves caught between a rock and a hard spot when they take issue with the way their agency does business. That is frowned upon. It is not something that is a quick path to career success, to blow the whistle or speak out when you are in the Forest Service or when you are in any large organization. So these employees created this rather unique non-profit corporation to play the activist role that as employees they are unable to do on the job, or at least are stifled from doing.

We were—we do not like to sue the Forest Service. In fact, our three lawsuits that are now pending in Federal district court on

the K–V Act, represent the first time in our 10 year history that we have ever brought suit against our employer. We were moved to do so after spending 6 months trying to get the Forest Service to resolve these issues regarding use of K–V funds for overhead without going to court. I am afraid notwithstanding some of the superb things that Mike Dombeck is doing as Chief of the Forest Service, the agency was, at all levels, unwilling to engage us in a dialog about the use of these funds, forcing us eventually to have to file suit in court. We think the statute is very, very simple, it authorizes the Forest Service to charge purchasers a premium over and above the price of the timber, to pay for the cost of reforesting the land and cleaning up the brush and repairing any damage caused to the fish and wildlife habitat or even improving that habitat after the logging within the sale area.

When Congress goes to the trouble of articulating the precise purposes to which money is to be put, that is regarded as an exclusive list. The agency cannot supplement that list with anything else it cares to spend the money on. If Congress does not say you can spend the money on computers, you cannot spend the money on computers. And yet we heard Mr. Stewart say some of the money for K–V goes to computers, goes to lights, goes to other utilities, and goes to pay salaries of people who are not reforesting the ground.

Now you already provide over $200 million a year of general administration tax dollars to pay for lights and computers and the salaries of people who do not reforest the ground. The Forest Service is supplementing that appropriation with money from this dedicated trust fund. We think that is simply improper and illegal and we hope to have an opinion from the court this summer.

In the meantime, Mr. Chairman, I wanted to thank you especially for the letter you wrote to the appropriations committee opposing a provision that was placed in the appropriations bill that would increase the existing legal authority from zero percent for overhead to 25 percent for overhead. That kind of back door maneuver, and as far as we can tell it was not asked for by any Member of the House of Representatives, we have yet to be able to find somebody who wants to defend that. That is completely uncalled for and at cross purposes with the kinds of reforms that we need to see in the administration of this fund. So I wanted to thank you for your leadership on that issue. I think your letter very well clarified and articulated what the real issue is here. It is not an issue of capping overhead expenditures, it is an issue of whether we are going to have the existing laws followed or, on the other hand, reward the Forest Service for 40 years of looking the other way and engaging in what some people have called today creative accounting.

One of the creative accounting tactics that was discussed this morning involves raiding the K–V trust fund to spend on fire suppression. It has been generally assumed by the people here that that is an OK thing to do. I think that deserves a second look. The statute that authorizes the expenditure of appropriated dollars for fire suppression speaks about appropriations. Now I am just a lay person, I am a forester, but when I read appropriations, that seems to me to say tax dollars given by Congress to the agency—it does

not say money paid by timber purchasers into a dedicated trust fund that is off budget. That does not sound to me like an appropriation—I think there is a serious question whether the Forest Service can even permissively raid that off-budget trust fund and spend it on emergency fire suppression. It certainly places you in a catch-22 situation where they come back hat in hand and say are you going to make up the difference, or are you going to choose between not reforesting the ground or not putting out the fire? Which do you want? Instead of looking at reducing costs, which is what the Forest Service should be focused on.

The issues regarding K–V are the tip of a much bigger iceberg. Mr. Stewart talked about the aborted re-invention process the Forest Service went through several years ago. That ought to be revisited. We have here a bureaucracy that was created at the turn of the last century and we are entering the next century now. The Forest Service needs to be restructured and there needs to be vigorous debate about where that ought to go. Certainly some of the ideas Mr. O'Toole has discussed ought to be looked at. In addition, simply the four layers of this bureaucracy need to be re-examined.

We fundamentally have to ask what is the purpose of regional offices, for example. A large proportion of these K–V overhead expenditures go to the regional offices and you asked a question earlier today about how the overhead percentage coming out of the K–V Fund is calculated. Is it simply—does the regional office decide what its costs are and then allocate—and then tell the units below, you have got to take whatever percent of these K–V receipts are needed to cover this fixed cost, or is it instead they decide well, what are the sorts of things we do in terms of oversight and supervision of the reforestation and how much do those cost.

On page 8 of a report that we prepared, which I will pass up to counsel, we reproduced the memorandum prepared by region 8 to calculate its K–V overhead percentage, at the bottom of page 8. You see in the middle of that memorandum net cash need for fiscal year 1997 for the Washington office and regional office of $1.396 million. That is the lump sum that the Washington office and regional office decided they needed for overhead. Then you see below that the amount of K–V projects that the forests in that region were going to carry out in 1997, $25 million worth. And a little adjustment for mid-year and third quarter, yielding a projection of actual year-end forest K–V projects of $23 million, and then they just took what percent of $23 million is $1,396,000 and came up with 6 percent. In other words, they did exactly what you feared. They decided these are our fixed overhead costs, this is the amount of work we are going to do from the K–V Fund on the ground, what is the percentage.

There is no indication in this calculation—and we filed a FOIA request to get this document—there is no indication here that these regional office overhead expenditures are actually tied to the on-the-ground reforestation work that is being done. In fact, the inflated overhead values we have seen in the last several years calls the lie on that. Why should overhead rates be jumping from 15 to 20 to as high as 30 percent in the last 3 years? Well, that is because the overhead stays fixed while the on-the-ground reforestation has been declining because we are cutting less timber. We

have not reduced the overhead nearly in proportion to the actual on-the-ground work.

Thank you, Mr. Chairman.

Mr. HORN. Well, we thank you and we thank your predecessor there speaking to these points. How long did it take you to get this under the Freedom of Information Act?

Mr. STAHL. This particular document was rather quick. Other documents that are reproduced here and go into the summary table took a lawsuit to get them. We had to sue. The Forest Service was going to charge us $3 or $4,000 to obtain these public documents.

Mr. HORN. For xeroxing one page?

Mr. STAHL. Yeah.

Mr. HORN. Well, they have got to work in a 27 percent overhead.

Mr. STAHL. We did have to go to court and thankfully on the eve of summary judgment arguments, the Forest Service capitulated.

Mr. HORN. Without objection, this report, "Who Says Money Does not Grow on Trees" by the Forest Service Employees for Environmental Ethics will go into the record at this point.

Mr. STAHL. Thank you, Mr. Chairman.

[The prepared statement of Mr. Stahl and the information referred to follow:]

TESTIMONY OF ANDY STAHL, EXECUTIVE DIRECTOR
FOREST SERVICE EMPLOYEES FOR ENVIRONMENTAL ETHICS
Before the Subcommittee on Government Management, Information, and Technology of the
House Committee on Government Reform and Oversight
Hearing on Forest Service Management Practices
July 7, 1998, in Bellflower, California

Mr. Chairman and members of the subcommittee, on behalf of FSEEE's 10,000 members, including its 600 Forest Service members, I appreciate this opportunity to address several administrative problems with the Forest Service's management of five off-budget trust funds financed by logging, including use of these funds for overhead or indirect expenses.

FSEEE believes that national forest stewardship requires the Forest Service redirect dollars that now feed middle and upper bureaucratic levels to funding the agency's district ranger units. The problems I will discuss with the agency's management of these five funds are but the tip of a much bigger bureaucratic iceberg, one that eats up more than half of every agency dollar before it reaches the ground where the real job of forest stewardship takes place. I urge the committee to work with USDA and Chief Dombeck to ensure that "the man on the ground who actually carries out the program" has the needed financial resources (see Kaufmann, The Forest Ranger, A Study in Administrative Behavior).

I will focus on three problems with the off-budget funds. First, the Knutson-Vandenberg fund overhead charges are preventing on-the-ground forest stewardship work from getting done. Second, with the exception of the reforestation trust fund, any overhead charges made against these funds exceeds the agency's statutory authority. Third, the Forest Service exacerbates its on-the-ground problems by failing to charge for Knutson-Vandenberg deposits over and above the timber sale price.

The immediate solution to these problems is simple – insist that the Forest Service follow existing law. FSEEE has three lawsuits pending in federal district court to enforce the Knutson-Vandenberg Act's requirements. We anticipate a decision from the court this summer.

A wrong-headed approach has been recently adopted by the House Appropriations Committee, which has added a provision to the Interior Appropriations bill that would allow the Forest Service to spend up to 25 percent of Knutson-Vandenberg and salvage sale fund dollars on indirect or overhead expenses. This post hoc legislation would divert about $85 million from needed on-the-ground work and reward the Forest Service for 50 years of lawless behavior. I commend Chairman Horn for opposing this ill-conceived provision. With your leadership we can ensure that the final interior appropriations bill is a clean one.

Knutson-Vandenberg Overhead Charges Foreclose Needed On-the-Ground Work

The substantial percentage of K-V funds devoted to overhead expenses has two direct consequences for the forest environment. First, the overhead allocation contributes to the inability to accomplish full reforestation and renewable resource work on many timber sales. Quoting from the Forest Service's K-V Indirect Costs and Accounting Methods Task Force Report, increased withdrawals for indirect costs "can result in a drain affecting numerous projects on the SAI [sale area improvement] Plans for these sales." Former regional forester Zane Grey Smith, Jr., a third-generation Forest Service employee, wrote "It is accurate to say that needed post timber sale restoration work failed to have adequate funding simply because the overhead eroded the practical limits of resources available at the site." His concerns are echoed by former Nez Perce National Forest supervisor Tom Kovalicky: "The appetite of the Regional Forester and the Chief's office required most of our field-generated funds to keep those organizations fully financed." Less artfully worded, an

anonymous Forest Service employee wrote in the SAI plan for the Superior National Forest's Sheep Ranch timber sale: "It is painfully obvious our overhead cost (sic) are extremely to (sic) high."

FSEEE has audited the SAI plans of half a dozen national forests during the past two years. Our findings are summarized in the report Who Says Money Doesn't Grow in Trees?, which we have provided to every member of Congress. The Stanislaus National Forest in California is a good example of the problems caused by overhead withdrawals from K-V deposits. Of the 57 timber sales for which K-V funds were collected during fiscal years 1994 to 1996, at least 26 collected insufficient K-V deposits to cover the replanting and sale area improvement needs identified in the plans. The SAI plans for these sales identified total direct project costs of $10,063,454, of which only $6,426,272 was covered by K-V collections. By comparison, $3,259,029 in K-V collections were allocated to overhead expenses. Unfunded activities included both reforestation projects and treatments to protect other resources, such as, bird, fish, and wildlife habitat. But for the overhead rake-off, almost all of the direct project needs could have been paid for by K-V collections ($6,426,272 + $3,259,029 = $9,685,301, which is pretty close to the needed $10,063,454).

The Overhead Charges Exceed the Forest Service's Authority

The five funds specifically state the purposes on which deposits may be spent. Only one of those funds, the Reforestation Trust Fund, includes indirect or administrative costs as one of those purposes. All five require that deposits beyond those required to meet the specific purposes for which they are provided are to be returned to the treasury. The table below itemizes the specific statutory purposes for each fund.

Brush Disposal Fund	"disposing of brush and other debris" after logging
Knutson-Vandenberg Fund	"planting (including the production or purchase of young trees)"
	"sowing with tree seeds (including the collection or purchase of such seeds)"
	"cutting, destroying, or otherwise removing undesirable trees or other growth . . . to improve the future stand of timber"
	"protecting and improving the future productivity of the renewable resources . . . including sale area improvement operation, maintenance and construction, reforestation and wildlife habitat management"
Cooperative Work Funds	"cooperative work in forest investigations"
	"cooperative work in . . . the protection and improvement of the national forests"
Salvage Sale Fund	"design, engineering, and supervision of the construction of needed roads [for salvage sales]"
	"sale preparation and supervision of the harvesting of [salvage timber]"

Reforestation Trust Fund	"reforestation and timber stand improvement"
	"properly allocable administrative costs of the Federal Government for [reforestation and timber stand improvement]"

Congress has enumerated the uses to which these funds can be put. As the Reforestation Trust Fund demonstrates, Congress has also shown its ability to discriminate for, and by omission, against the use of these funds for indirect or overhead purposes. Enumeration of specific purposes for appropriations excludes use of the funds for all other purposes. E.g., 53 Comp. Gen. 328 (1973) (where appropriation authorized use of funds for road "construction" and "maintenance," Forest Service could not use funds for road closure or obliteration). "The established rule is that the expenditure of public funds is proper only when authorized by Congress, not that public funds may be expended unless prohibited by Congress." United States v. MacCollom, 426 U.S. 317, 321, 96 S.Ct. 2086, 2089 (1976).

In 1987, the Department of Agriculture's Office of Inspector General criticized the direct expenditure of Knutson-Vandenberg funds on items such as furniture, rent, supplies, and so forth that are not encompassed by the indirect cost assessment.

> After the enactment of the 1976 amendment to the K-V Act, FS management encouraged 'imaginative and innovative management practices' in the use of K-V funds. . . . [L]iberal interpretations were employed in the actual allocation of costs to K-V funds. For example, the purchase of furniture was funded from K-V because it was used by timber and silviculture personnel whose salaries were all, or primarily, funded by K-V monies. Also, the vehicles, utilities, supplies, rent, magazine subscriptions, books, uniforms, etc., purchased or used by these personnel were considered legitimate direct assessments to K-V funds as defined by FS personnel. . . . This practice was employed at the RO, FSO, and RD levels of the FS. There appeared to be no established limitations as to how far this concept could be carried.

This criticism should apply equally whether such unauthorized costs are assessed against K-V funds as direct or indirect expenses. No matter what you call them, these expenses do not relate to reforestation and sale area improvements, the only authorized purposes for funds under the K-V Act. These indirect costs also bear little or no relation to the actual "costs to the United States" of reforestation and sale area improvement because they are tied to the size and expenses of the agency's overall bureaucracy rather than the costs associated with restoration of cut-over forest stands.

In sum, if a private person or corporation defrauded the treasury of funds otherwise due to it by law, as the Forest Service does by expending these funds on indirect expenditures, that person would be subject to treble damages and a $10,000 per fraudulent transaction penalty under the federal False Claims Act. However, because it is a federal agency that profits from the fraud, the only legal remedy appears to be injunctive relief under the Administrative Procedures Act for actions taken "not in accordance with law" or "in excess of statutory . . . authority . . . " 5 U.S.C. § 706(2). FSEEE has filed three cases in federal court seeking to stop this illegal diversion of K-V funds to indirect expenses and overhead.

The Forest Service Fails to Collect K-V Funds in Addition to the Payments for Timber

The K-V Act defines K-V funds as "deposits of money in addition to the payments for the timber." 16 U.S.C. § 576b. Nonetheless, the Forest Service currently derives K-V funds directly from the payments for the timber and routinely expands K-V plans to capture unexpectedly high timber receipts. This practice is contrary to the plain language of the law, judicial precedent, and past agency practice.

Near contemporaneous Forest Service guidance on implementation of the K-V Act indicates that one of the understood purposes of the Act was to avoid reductions in treasury receipts as a result of the K-V collections. See Affidavit of Paul Neff filed in State of Alabama v. United States, 461 F.2d 1324 (Ct. Cl. 1972) (K-V deposits would be required from timber purchasers "only ... [w]here the receipts from the sale will not be reduced ..."). The 1976 amendment to the K-V Act retained the statutory language "in addition to the payments for the timber" largely without comment. The conference report accompanying the amendment specifically described K-V funds as a "deposits requirement of timber sale contracts," rather than as deductions or allocations from the bid price.

By contrast, the legislation authorizing creation of the Salvage Sale Fund, which was part of the same public law as the 1976 amendments to the K-V Act, provides for financing from the timber payments. Under 16 U.S.C. § 472(h), Congress directed that money for the Salvage Sale Fund comes "as a part of the payment for the timber." Thus, Congress simultaneously addressed two distinct purchaser-financed funds, the K-V fund and the Salvage Sale Fund, and directed them to be handled in different ways.

The Forest Service's failure to collect K-V deposits "in addition to the payments for the timber" results in some sales sold for less than the identified post-sale replanting and sale area improvement needs. This is particularly acute on sales with only a single bidder sold at base rates. Separate identification of needed K-V deposits would avoid this result or, at a minimum, clearly disclose that a sale will not cover the costs of restoring renewable resources adversely affected by the logging.

When a timber sale receives an unexpectedly high bid, the Forest Service routinely expands the SAI plan and K-V collections to capture the unanticipated proceeds from the sale. This *post hoc* expansion would not be possible if K-V funds were collected "in addition to the payments for the timber" as required by the Act.

The expansion of SAI plans after the sale is made is also contrary to the fundamental concept underlying the K-V Act, that the deposits are an alternative to the timber purchaser itself performing the reforestation and sale area improvement practices. As one of the Forest Service's own lawyers explained to Congress, "[T]he expression 'in addition to the payments for the use'[sic] was put in the Knutson-Vandenberg Act to show that that deposit was not to be considered as a timber sales receipt which would go into the forest reserve fund, but that it was a deposit actually to cover one of the operating costs, just as much as felling the trees and transporting the logs to the mill is an operating cost." Hearings on H.R. 2968 before Subcomm. No. 3 of the Comm. on Ag., 81st Cong., 1st Sess. 23 (1949).

Clearly, no timber purchaser would constantly expand its operating costs simply because it found itself in possession of a more valuable set of timber that it had anticipated. Just as clearly, by identifying reforestation and renewable resource protection as "operating costs" of a timber sale to be paid by a purchaser, Congress did not intend either to saddle the purchaser with a share of the agency's overhead costs or to reduce timber sales receipts to the national treasury. The Forest Service has impermissibly converted the K-V Act from a mechanism for covering the environmental and natural resource costs of a particular logging operation to an unauthorized means of augmenting the agency's own revenues and budget.

Finally, where timber receipts are allocated to both the K-V fund and the Salvage Sale Fund, the K-V fund gets the short end of the stick. Money that could and should go to needed K-V projects is instead diverted to the Salvage Sale fund used to prepare additional timber sales. The result, as found in a Washington Office review, is that "[o]n many Sierra forests, SSF is being over collected at the expense of the K-V program, including K-V essential reforestation." November 14, 1994 letter from Deputy Chief to R-5 Regional Forester. Adherence to the plain language of the law would avoid this shifting of funds because K-V deposits must be collected "in addition to the payments for the timber," while salvage sale fund deposits are "a part of the payment for the timber."

Conclusion

The Forest Service's abuse of its statutory authority did not begin with this Administration. These problems evolved over a 50-year period as the agency bureaucracy sought creative ways to keep for its own purposes the increasing receipts from active timber management following World War II. Reform will require that the Forest Service do something radical – it must follow the law.

RESUME OF ANDY STAHL

Education

B.S., Forest Management (1979), Oregon State University

Conservation Employment

1994-Current: Executive Director, Forest Service Employees for Environmental Ethics

FSEEE is the environmental voice and advocate of the professional employees of the U.S. Forest Service. FSEEE's 800 current and retired Forest Service employee and 8,000 citizen members work to ensure the stewardship of the public's national forests.

1987-1993: Resource Analyst, Sierra Club Legal Defense Fund

Devised and implemented legal/political/scientific strategy to protect Pacific Northwest ancient forests, including more than 8 million acres of additional federal lands protected for northern spotted owl, among other species. Prevailed in half a dozen major federal environmental lawsuits that reshaped federal forest land management in Pacific Northwest (most federal timber sales ever stopped in court to date). Researched and assisted in prosecution of half a dozen citizen suits under Clean Water Act to enforce terms of NPDES permits.

1983-1987: Staff Forester, National Wildlife Federation

Established and implemented forest policy agenda for nation's largest conservation organization. Initiatives included successful re-write of the Oregon State Board of Forestry forest practice rules to better protect streams and fisheries from landslides; Mapleton lawsuit that enjoined logging on steep federal lands in Oregon Coast Range to protect water quality and fisheries (most federal timber sales ever stopped in court to that date); initiated ancient forest protection strategy and campaign.

1981-1983: Forest Planner, Associated Oregon Loggers

Forest policy advocacy on behalf of association of 600 independent contract logging companies.

1980: Forest Planning Consultant, U.S. Forest Service

Trained national forest planning teams the principles and procedures of forest planning, especially the use of the FORPLAN harvest scheduling program, under the then new National Forest Management Act procedures.

1978-1979: Forestry technician, U.S. Forest Service

Seasonal field positions in timber sales, silviculture and wildlife on the Wallowa-Whitman (OR) and White River (CO) National Forests.

Awards

Natural Resources Council of America: 1993 Award of Achievement for Policy Activities

Other Professional Activities

Board member, Thoreau Institute
Board member, Foundation for Population Biology
Litigation consultant in forest-related lawsuits

Who Says Money Doesn't Grow On Trees?

The Knutson-Vandenberg Act: How the U.S. Forest Service Misuses a Little-Known Law to Siphon Millions of Public Dollars from the Forest to the Bureaucracy

Forest Service Employees
for Environmental Ethics

Forest Service Employees
for Environmental Ethics

Forest Service Employees for Environmental Ethics is a 501(c)(3) nonprofit organization. Our mission is to forge a socially responsible value system for the Forest Service based on a land ethic which ensures ecologically and economically sustainable resource management.

The Lazar Foundation contributed financially to this report's production.

WHO SAYS MONEY DOESN'T GROW ON TREES?

The Knutson-Vandenberg Act — A Legacy of Creeping Bureaucracy

The Knutson-Vandenberg Act was passed by Congress in 1930 to give the U.S. Forest Service a way to restore logged-over land. In fact, the agency misdirects millions of dollars from the fund each year to pay for bureaucratic overhead.

Congress passed the Knutson-Vandenberg (K-V) Act in 1930 to provide a mechanism for reforesting cut-over national forest lands. The act authorizes the U.S. Forest Service to charge purchasers of timber a premium, over and above the price of the trees, to cover the cost of replanting, removing unwanted brush, and, as authorized by 1976 amendments, protecting and improving the productivity of fish, wildlife, recreation, and other renewable resources within the particular timber sale area from which the funds are collected. Funds in excess of the cost of doing the work are to be returned to the U.S. Treasury as a miscellaneous receipt.

Early Forest Service reforestation policy encouraged natural seeding and discouraged artificial planting. The agency's main concern with planting was its relative high cost compared to natural regeneration. Early silvicultural practice emphasized individual tree selection, shelterwood, and other systems designed to encourage natural seeding. Clearcutting was disfavored; in fact, in some regions like the Pacific Northwest, it was banned by regional foresters. Given these policies, the Forest Service had little need to use the K-V Act's authority, and the statute received scant attention until after the second World War.

In 1947, the Forest Service sought the U.S. Comptroller General's permission to allocate a

modest portion of K-V funds to cover the cost of hiring bookkeepers to account for the funds. The Comptroller General denied the agency's initial request on the basis that the Act did not specify overhead as one of its authorized activities. The opinion concluded that such use of the fund amounted to unlawful augmentation of funds already appropriated for overhead purposes.

The Forest Service reiterated its request on the grounds that the phrase "cost to the United States" for planting and other on-the-ground activities includes overhead costs associated with these activities. The Comptroller General relented and allowed the Forest Service to charge modest clerical costs against the K-V fund. At that time, deposits to the K-V fund were about $1 million per year and the Forest Service expected to expend 6 to 10 percent of these funds on clerical functions.

In 1957, the Forest Service made a subtle but significant change to the administration of the K-V Act. Instead of charging timber purchasers a K-V premium over and above the price of the timber to cover reforestation costs, the agency absorbed the K-V costs into the timber sale price. Prior to 1957, timber sale contracts separately itemized the price of the timber and the additional deposit for reforestation and other K-V activities. After 1957, the agency did not specify K-V costs in bid documents or contracts and simply accepted a lump sum payment (or bid) from timber purchasers.

As a result of the 1957 change, the Forest Service now treats all but $0.50 per thousand board feet (mbf) of timber sale receipts as available for K-V expenditure.[1] For example, in 1993 the Forest Service decided to sell the Indian Boundary timber sale on the Cherokee National Forest (Figure 1). The appraisal predicted the sale would sell for

Figure 1: 1993 Knutson-Vandenberg Plan for the Indian Boundary Timber Sale

USDA-Forest Service — FS 2400-50 (12/E

SALE AREA IMPROVEMENT AND K-V COLLECTION PLAN (reference FSM 2477)

(1) Forest: CHEROKEE
(2) District or Unit: TELLICO
(3) Sale Name: INDIAN BOUNDARY
(4) Contract Date:
(5) COMPARTMENTS: 42
(6) Type of Plan: (X) Original / Revision
(7) Purchaser:
(8) Contract Number:

Treatment (by Priority) (9)	Function Number (10)	Units of Work (11)	Cost Per Unit (12)	Total Sale Area Improvement Needs: No. of Units (13a)	Total Sale Area Improvement Needs: Cost (13b)	K-V Financed: No of Units (14a)	K-V Financed: Cost (14b)
TRAIL IMPROVEMENT (CLEAR/RELOCATE TRAIL)	AT2	MILES	2000	1	2000	1	2000
VISUAL ACTIVITIES (REMOVE PREEXISTING SLASH)	AV	ACRE	250	50	12500	50	12500
(15) TOTAL AMOUNT NEEDED & K-V TO BE COLLECTED							14,500
(16) STUMPAGE AVAILABLE FOR K-V FINANCING							14,711.77

(17) REMARKS:

OVERHEAD ASSESSED @ 52.58%

TOTAL SALE VALUE - $ 14868.45
BFF - $ 156.68
$14,711.77

(18) PREPARED BY (Signature)	/s/ MIKE NICOLO	Title: TMA	Date: 3-30-93 ~~10/30/93~~
(19) RECOMMENDED BY (Signature)	/S/ LARRY FLEMMING	TITLE: DR	DATE: 4-8-93
(20) APPROVED BY (Signature)	Sam Brooks BOS	TITLE: C.O.	DATE: 4-13-93

$14,868, which, after deducting $0.50/mbf for the Treasury, left $14,712 "available" for K-V expenses. The agency prepared a K-V plan for the sale that called for spending $14,500 on trail improvements and removing slash from previous logging, with over one-third of this money going to overhead.

The Forest Service sold the timber at competitive auction for more than it had anticipated — $26,935 (the difference between the advertised price and the high bid is called the "overbid," amounting to $12,067). Immediately thereafter, the Forest Service revised the K-V plan (Figure 2) by adding new activities (filling in rootball holes, seeding, and fertilizing) for a total K-V expenditure of $26,500, fully 99% of the $26,778 (bid price of $26,935 less $0.50/mbf) "available" for K-V financing. If not for the revised K-V plan, the U.S. Treasury would have received $12,435; instead the Treasury was left with $156. The sale cost taxpayers about $85 per mbf to prepare and administer ($26,295), leaving the Treasury with a net loss of -$26,139.20.[2]

Over the 3-year period between 1993 and 1996, the Cherokee National Forest revised its K-V plans in this manner to "capture" $650,000 in overbid monies that would otherwise have gone to the Treasury. These funds were not charges made "in addition to the payments for the timber," as required by the K-V Act; they were monies taken directly out of timber sale receipts. According to the Act, the Forest Service should have charged these costs to the timber sale purchaser over and above the price of the timber.

In addition to withholding from the Treasury receipts due it by law[3] the Forest Service has increased its overhead costs from the nominal amounts (6 to 10 percent) authorized by the U.S. Comptroller General in 1947 to as much as 72 cents of every K-V dollar (Chattahoochee/Oconee National Forests, see table on page 11). Nationwide, the Forest Service spends an average of 36 cents of every K-V dollar on overhead, amounting to some $75 million per year (the exact amount varies from year to year). The Forest Service receives in addition about $300 million from Congress in appropriated funds for general administration. The K-V overhead charges appear to run afoul of governmental rules against augmentation of appropriations.

These overhead charges are skimmed off at every level of the Forest Service hierarchy, from the Washington, D.C., office, to the nine regional offices, the approximately 100 forest supervisor offices, and more than 400 district ranger offices. The overhead funds help pay for clerical, computer, and other support staff, timber, silviculture, wildlife, fisheries, and other program staff, rent, utilities, and the like. For example, in fiscal year 1997 Region 8 (headquartered in Atlanta, Ga., and the home region of the Cherokee National Forest) will collect $1.9 million in K-V monies for overhead expenses in the regional office alone, of which $967,000 is "carry-over" from the preceding fiscal year (Figure 3).[4]

In many instances, the high overhead assessments prevent needed on-the-ground work from being completed. For example, consider the Cherokee's Basin Creek sale, which sold in 1990 for $132,039 (Figure 4). After deducting $36,231 for purchaser road credits,[5] and $656.50 for the Treasury's National Forest Fund ($0.50/mbf), the "stumpage available for K-V financing" amounted to $95,151. The Sale Area Improvement and K-V Collection Plan identified $123,082 of activities needed to improve the sale area (prescribed burning, planting, and the like), of which $84,325 consisted of direct project costs and $38,757 of overhead.

Instead of reducing the overhead amounts, the Forest Service dropped 109 acres of reforestation, 69 acres of seedling release from competing shrubs, 278 of the 284 acres of seedling survival exams (to confirm the seedlings had not died), all of the heliseeding and all of the wildlife habitat improvement projects. In the end, K-V deposits will fund $65,188 of direct project costs, consisting of the prescribed burning, planting, some of the seedling release and a few survival checks. In addition, the Forest Service will divert $29,960 in overhead expenses from the sale. Had the Forest Service not diverted these overhead monies it could have funded all of the direct costs of the needed on-the-ground work ($65,188 + $29,960 = $95,148, which is greater than $84,325) and returned 16 times as much revenue to the U.S. Treasury ($10,831 compared to $656).

An audit of Cherokee National Forest timber sales logged between 1994 and 1997 revealed 15 additional timber sales like Basin Creek that had insufficient K-V funds to pay the direct costs of sale area improvement needs. The total K-V deficit amounted to $203,447. However, during the same period the Cherokee diverted $856,005 of K-V funds to overhead. But for the overhead assessments, the Forest Service could have completely funded its sale area improvement needs and returned over half a million more dollars to the Treasury.

Cumulatively across the nation the diversion of K-V funds to overhead has led to a growing reforestation backlog. According to

the Forest Service's Budget Notes to Congress, the 1997 backlog of unaccomplished reforestation and timber stand improvement needs will grow by 92,000 acres to a total of 1,578,000 acres. Though the agency is up-front about the shortfall, nowhere does the Forest Service acknowledge to Congress that the source of the problem is the high overhead rake-off from K-V funds. In fact, the Forest Service's budget documents do not admit to any overhead charges whatsoever.

What began as a well-intentioned law that requires loggers to pay for reforesting and repairing the public's cut-over lands has evolved over the decades into a multi-million dollar boondoggle that fuels a bloated Forest Service bureaucracy, robs taxpayers of timber receipts, and creates an incentive to log no matter the environmental or fiscal costs.

In sum, the Forest Service violates the K-V Act in the following ways:

1) Failing to charge purchasers for the full K-V costs, over and above the price of the timber;

2) Skimming off overhead funds from K-V deposits that are ear-marked by law to reforestation, brush disposal and other sale area improvements;

3) Diverting timber sale receipts from the Treasury to the agency's K-V account; and,

4) Pooling K-V funds across multiple timber sales, violating the mandate that K-V deposits be spent within the sale area from which they are collected.

Figure 2: Revised Knutson-Vandenberg Plan for the Cherokee National Forest

USDA-Forest Service — FS 2400-50 (12/89)

SALE AREA IMPROVEMENT AND K-V COLLECTION PLAN (reference FSM 2477)

(1) Forest: CHEROKEE
(2) District or Unit: TELLICO
(3) Sale Name: INDIAN BOUNDARY
(4) Contract Date:
(5) COMPARTMENTS: 42
(6) Type of Plan: ( )Original (X)Revision
(7) Purchaser: Stewart Logging Co.
(8) Contract Number:

Treatment (by Priority) (9)	Function Number (10)	Units of Work (11)	Cost Per Unit (12)	Total Sale Area Improvement Needs: No.of Units (13a)	Total Sale Area Improvement Needs: Cost (13b)	K-V Financed: No.of Units (14a)	K-V Financed: Cost (14b)
TRAIL IMPROVEMENT (CLEAR/RELOCATE TRAIL)	AT2	MILES	2000	1	2000	1	2000
VISUAL ACTIVITIES (REMOVE PREEXISTING SLASH)	AV	ACRE	250	50	12500	50	12500
FILL IN ROOTBALL HOLES AND SEED/FERTILIZE	AN1	EACH	100	120	12000	120	12000
(15) TOTAL AMOUNT NEEDED & K-V TO BE COLLECTED							26,500
(16) STUMPAGE AVAILABLE FOR K-V FINANCING							26,778.56

(17) REMARKS:

TOTAL SALE VALUE - $26,935.24
OVERHEAD ASSESSED @ 52.58% NFF - $ 156.68
$26,778.56

(18) PREPARED BY (Signature) /s/ MIKE NICOLO		Title TMA	Date 05/12/9
(19) RECOMMENDED BY (Signature)		TITLE DR	DATE 5-17-9
(20) APPROVED BY (Signature)		TITLE Forest Supervisor	DATE 6/8/9

JB concur 6-8-93

These violations have led to:

1) An inflated Forest Service bureaucracy that now consumes $75 million a year in overhead (over and above Congressional appropriations of about $300 million for that purpose) — funds that by law are supposed to be, but are not always, spent within timber sale areas for environmental improvement;

2) Losses to the U.S. Treasury amounting to tens of millions annually as the Forest Service fails to charge purchasers the full cost of K-V projects, over and above the price of the timber;

3) An agencywide incentive to sell timber because failing to do so cuts off the overhead slush funds.

The reaction from knowledgeable people, both within and outside the Forest Service, to these abuses shows that these matters are not simply arcane accounting issues. People understand that abuses of the K-V Act have real on-the-ground effects on the public's forests. Here's what some of these people have said:

". . . I think this country should put on high priority the repeal of the (Knutson-Vandenberg Act), passed in 1930, that provided funding for the Forest Service from the sale of timber. Money corrupts. It has changed the Forest Service from a guardian of our national resources to exploitation of them. This is not good for our country and causes many of our problems. There are many wonderful people that work for the Forest Service that do not believe in what they are doing but it is their job."

— Fred Behm (citizen)
Blue River, OR

"The extraordinarily high overhead assessments, which began in the mid 1950's, have been a disturbing matter for Forest Service at all levels for a long time. During my 34 year career with the Service, primarily in Oregon, Washington, California and in the Chief's office, I have observed frustration with these excessively high rates at all levels. As a District Ranger, Forest Supervisor, Regional Forester and as a Staff Director on the Chief's staff, I personally shared these frustrations. It is accurate to say that needed post timber sale restoration work failed to have adequate funding simply because the overhead eroded the practical limits of resources available at the site."

— Zane Grey Smith, Jr. (former Forest Service regional forester)
Springfield, OR

". . . It seems perfectly obvious that (K-V overhead) is a primary cause of the serious overemphasis on timber sales to the detriment of all other considerations. Further it is very unfair to the Forest Service management personnel because, on the one hand they are asked to manage for multi-purpose uses but, on the other hand they are being told, indirectly but unmistakeably, that they must sell timber in order to maintain the funding which pays their salaries. This really puts them between the proverbial rock and a hard place."

— Karl E. Balliet (citizen)
Bedford, VA

". . . The formula we used to determine and then distribute the K-V funds was very automatic; we set aside at least three levels of overhead assessment first and then applied the remainder on the ground. Frequently the remainder was not enough to buy and plant the new trees. It was often supplemented by other funds from the Forest Service Budget to complete the job of reforestation. . . . The appetite of the Regional Forester and the Chief's office required most of our field-generated funds to keep those organizations fully financed."

— Tom Kovalicky (former Forest Service forest supervisor)
Grangeville, ID

"It is painfully obvious our overhead cost (sic) are extremely to (sic) high."

— anonymous Forest Service employee, Superior National Forest, as written in the Sheep Ranch timber sale K-V Plan

The solutions to these problems are simple and straightforward. In the words of former Chief Jack Ward Thomas, the Forest Service should simply obey the law. That means charge purchasers the costs of reforestation and other sale area improvement needs over and above the price of the timber. It means stop diverting K-V funds collected from purchasers into the black hole of bureaucratic overhead. It means spend K-V dollars only within the sale area from which those dollars were collected.

Eliminating K-V overhead rake-offs will necessarily reduce the availability of funds to higher levels of the Forest Service bureaucracy. This may prove a good thing in the long run. The Forest Service should reevaluate the need for four layers of administrative hierarchy. Eliminating one of those layers, such as regional offices, and reducing the number of forest supervisor's offices, would likely cover completely the lost K-V overhead funds. This would further empower field-level managers to meet the Forest Service's basic mission — serving the public and caring for the land.

End Notes:

1) The $0.50/mbf allowance to the U.S. Treasury is based on the historical average cost to the government to prepare and administer timber sales. At least until 1956, Forest Service policy required that timber prices be no less than the "cost to prepare and administer sales." Today timber sales cost $60 to $100/mbf to prepare and administer, but the trees are sold for as little as $2 or $3/mbf on some national forests (see Humpback timber sale, Tongass National Forest, which sold in 1997 for $2.58/mbf), and the policy is still to guarantee only $0.50/mbf to the Treasury. For salvage sales, Forest Service policy does not even require this nominal return; instead virtually all of the receipts are diverted to the Forest Service's Salvage Sale Fund for preparing new salvage sales.

2) Total U.S. Treasury losses are even greater because the State of Tennessee is entitled to 25 percent of the gross timber sale receipts, that is, 0.25 x $26,935, or $6,734. If a timber sale has inadequate sale receipts (because of K-V withdrawals, purchaser road credits, or salvage sale fund removals) to cover the 25% payments, the Treasury picks up the difference. Thus, the total loss to taxpayers from this sale alone amounts to $32,872.

3) "All money received by or on account of the Forest Service for timber . . . shall be covered into the Treasury of the United States as a miscellaneous receipt." 16 U.S.C. 499 (Act of March 4, 1907).

4) The Forest Service's Washington Office will collect $457,157 from Region 8's K-V account to spend on its own D.C.-based overhead. In sum, the Washington Office collected a nationwide total across all nine regions of $3,848,000 from the K-V account for its own overhead in fiscal year 1997.

5) Purchaser road credits are deductions from the price of the timber credited to the timber purchaser in exchange for the purchaser building the logging road to access the timber sale.

For more information about the Knutson-Vanderberg Act or how the Forest Service allocates reforestation funds, contact FSEEE.

Figure 3: Region 8 Overhead Rate Calculation

FY-1997
REGION 8
WO/RO OVERHEAD RATE CALCULATION PROCESS
CWKV

Unit 31 (RO Operations) 9/30/96 Unobligated Balance		$ 967,082
Planned Expenditures for FY-97:		
R.O. Final GA Assessment	$1,179,136	
Indirect Cost Items for R.O.	189,495	
R.O. Unit Budgets (Tbr, FM&R, SWA)	537,352	
Subtotal R.O. Costs Planned	$1,905,983	
W.O. Overhead Withdrawal (actual)	457,157	
Total Planned CWKV Expenditures for WO/RO		$2,363,140
Net Cash Need for FY-1997 for WO/RO		$1,396,058
Forest Planned CWKV in Final FBA	$25,232,000	
Less: Projected Return at Midyear & 3rd Qtr	1,832,000	
Projection of Actual Yearend Forest Ceiling		$23,400,000
FY-1997 Overhead Rate for WO/RO = $1,396,058 / $23,400,000 =		* 6.0%

* Note, this rate is stated as a percent of ceiling authority and must be converted by the Units to a percent of direct project for use in SAI plans.

Figure 4: Knutson-Vandenberg Plan for Basin Creek Timber Sale

USDA-Forest Service — FS 2400-50 (12/89)

SALE AREA IMPROVEMENT AND X-V COLLECTION PLAN (reference FSM 2477)

(1) Forest: CHEROKEE
(2) District or Unit: TELLICO
(3) Sale Name: BASIN CREEK
(4) Contract Date: 8-10-9
(5) COMPARTMENTS: 63,64,76,416
(6) Type of Plan: (X) Original Revision
(7) Purchaser: [illegible]
(8) Contract Number: 304604

Treatment (by Priority) (9)	Function Number (10)	Units of Work (11)	Cost Per Unit (12)	Total Sale Area Improvement Needs: No. of Units (13a)	Total Sale Area Improvement Needs: Cost (13b)	K-V Financed: No. of Units (14a)	K-V Financed: Cost (14b)
PRESCRIBE BURN	033	ACRE	85	284	24140	284	24140
PLANTING	033	ACRE	175	284	49700	~~138~~ ~~152~~ 193	~~24150~~ ~~26600~~ 49700
TSI RELEASE (INJ.)	033	ACRE	99	284	28116	215	21285
SURVIVAL CHECKS	033	ACRE	4	284	1136	6	24
HELISEEDING	080	ACRE	42	250	10500		
LINEAR WILDLIFE OPEN.	080	MILE	730	5	3650		
WILDLIFE FIELD REHAB	080	ACRE	730	2	1460		
WILDLIFE FIELD CONST.	080	ACRE	1460	3	4380		
(15) TOTAL AMOUNT NEEDED & K-V TO BE COLLECTED					123,082	//////////	~~48,250~~ ~~50,740~~ 95149
(16) STUMPAGE AVAILABLE FOR K-V FINANCING							~~48442~~ ~~50,894~~ 95,151

(17) REMARKS:

OVERHEAD ASSESSED @ 45.96%

TOTAL SALE VALUE - ~~$87,781.13~~ ~~85129~~ 132039.00
NFF - $ 656.50
SPECIFIED ROAD - $36,230.93
~~$50,893.70~~ ~~[illegible]~~ 95151.57

(18) PREPARED BY (Signature) /s/ MIKE NICOLO	Title TMA	Date 6/6/90
(19) RECOMMENDED BY (Signature) Larry Fleming	TITLE DR	DATE 6-17-90
(20) APPROVED BY (Signature) [illegible]	TITLE C. O.	DATE 6-29-90

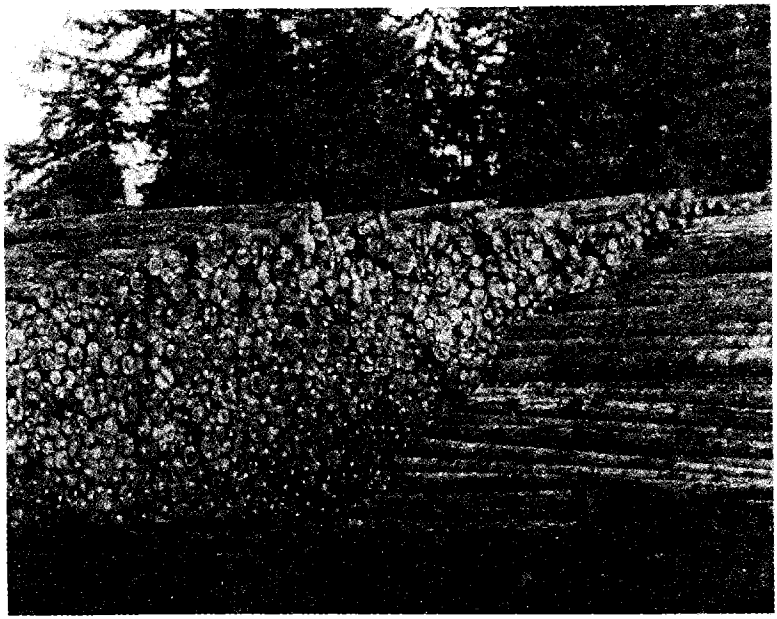
Where Does the Money Go?

A study financed by FSEEE and conducted by the Thoreau Institute, an economic think tank, found that 36 cents of every dollar collected under the Knutson-Vandenberg Act is spent on overhead. The study's results are summarized in the table below. The first column shows the percentage of K-V trust funds spent on administrative overhead by each national forest. The overhead money was divided between the Forest Service's Washington, D.C. headquarters, regional offices, forest supervisors' offices, and district offices. For example, 45 cents of every K-V dollar collected on Washington's Olympic National Forest is diverted to overhead. Thirteen cents of that go to the Olympic's four ranger districts, 25 cents to the supervisor's office in Olympia, Wash., six cents to the regional office in Portland, Ore., and one cent to the Washington, D.C. office.

Northern Region (1)		
Bitterroot (Mont.)	23%	$75,050
Clearwater (Idaho)	31%	$918,876
Custer (Mont.)	31%	$892
Deerlodge (Mont.)	24%	$74,879
Flathead (Mont.)	41%	$285,014
Gallatin (Mont.)	48%	$217,943
Helena (Mont.)	27%	$68,388
Idaho Panhandle (Idaho)	29%	$3,448,427
Kootenai (Mont.)	32%	$1,234,768
Lewis and Clark (Mont.)	28%	$75,337
Lolo (Mont.)	35%	$1,756,130
Nez Perce (Idaho)	31%	$1,341,973
Rocky Mountain Region (2)		
Nebraska (Neb.)	23%	$4,396
Arapaho/Roosevelt (Colo.)	40%	$73,186
Bighorn (Wyo.)	22%	$43,325
Black Hills (S.D.)	31%	$1,201,208
GMUG (Colo.)	33%	$151,195
Medicine Bow/Routt (Wyo.)	32%	$133,575
Pike/San Isabel (Colo.)	20%	$38,279
Shoshone (Wyo.)	27%	$481
White River (Colo.)	20%	$39,761
Southwestern Region (3)		
Apache-Sitgreaves (Ariz.)	37%	$405,523
Carson (N.M.)	37%	$109,530
Cibola (N.M.)	27%	$15,776
Coconino (Ariz.)	39%	$157,397
Gila (N.M.)	30%	$48,348
Kaibab (Ariz.)	23%	$78,897
Lincoln (N.M.)	35%	$11,081
Prescott (Ariz.)	30%	$11,247
Santa Fe (N.M.)	32%	$14,014
Tonto (Ariz.)	28%	$105,673
Intermountain Region (4)		
Ashley (Utah)	29%	$40,547
Boise (Idaho)	27%	$2,030,171
Bridger-Teton (Wyo.)	29%	$91,055
Caribou (Idaho)	22%	$22,203
Challis (Idaho)	27%	$26,624
Dixie (Utah)	25%	$229,140
Fishlake (Utah)	24%	$25,694
Humboldt/Toiyabe (Nev.)	18%	$935
Manti-LaSal (Utah)	25%	$13,165
Payette (Idaho)	29%	$1,190,876
Salmon (Idaho)	27%	$149,526
Sawtooth (Idaho)	29%	$45,148
Targhee (Idaho)	30%	$175,759
Uinta (Utah)	29%	$24,114
Wasatch-Cache (Utah)	29%	$77,482
Pacific Southwest Region (5)		
Angeles (Calif.)	32%	$2,352
Cleveland (Calif.)	11%	$141
Eldorado (Calif.)	38%	$3,512,074
Inyo (Calif.)	38%	$147,185
Klamath (Calif.)	35%	$423,420
Lake Tahoe BMU (Calif.)	32%	Unknown
Lassen (Calif.)	33%	$838,053
Los Padres (Calif.)	40%	$1,128
Mendocino (Calif.)	33%	$82,318
Modoc (Calif.)	42%	$2,250,921
Plumas (Calif.)	36%	$1,337,592
San Bernadino (Calif.)	34%	$19,255
Sequoia (Calif.)	35%	$570,580
Shasta-Trinity (Calif.)	38%	$450,384
Sierra (Calif.)	37%	$1,258,982
Six Rivers (Calif.)	33%	$1,845,900
Stanislaus (Calif.)	43%	$2,222,897
Tahoe (Calif.)	38%	$978,606
Pacific Northwest Region (6)		
Colville (Wash.)	28%	$625,617
Deschutes (Ore.)	35%	$1,587,751
Fremont (Ore.)	30%	$1,034,540
Gifford Pinchot (Wash.)	33%	$804,499
Malheur (Ore.)	26%	$1,976,891
Mt. Baker/Snoqualmie (Wash.)	49%	$803,531
Mt. Hood (Ore.)	45%	$1,702,015
Ochoco (Ore.)	30%	$1,207,216
Okanogan (Wash.)	25%	$366,906
Olympic (Wash.)	45%	$53,994
Rogue River (Ore.)	42%	$1,129,175
Siskiyou (Ore.)	39%	$725,482
Siuslaw (Ore.)	29%	$1,086,734

Virtually every national forest across the country uses the Knutson-Vandenberg Act to pay for overhead expenses, taking a tangible toll on the health of the land.

Umatilla (Ore.)	33%	$2,355,986
Umpqua (Ore.)	29%	$659,604
Wallowa-Whitman (Ore.)	34%	$890,493
Wenatchee (Wash.)	24%	$671,516
Willamette (Ore.)	37%	$3,212,823
Winema (Ore.)	31%	$1,208,787
Southern Region (8)		
Alabama Forests (Ala.)	61%	$2,061,373
Carribean (Puerto Rico)	0%	—
Chatt./Oconee (Ga.)	72%	$ 604,098
Cherokee (Tenn.)	37%	$231,243
Daniel Boone (Ky.)	44%	$402,880
Florida Forests (Fla.)	53%	$466,614
George Washington (Va.)	39%	$280,923
Jefferson (Va.)	45%	$214,695
Kisatchie (La.)	55%	$2,029,357
Marion-Sumpter (S.C.)	30%	$436,912
Mississippi Forests (Miss.)	29%	$1,918,040
N. Carolina Forests (N.C.)	42%	$333,665
Ouachita (Ark.)	38%	$3,221,416
Ozark/St. Francis (Ark.)	45%	$1,625,080
Texas Forests (Texas)	54%	$1,931,525
Eastern Region (9)		
Allegheny (Pa.)	27%	$634,192
Chequamegon (Wis.)	27%	$216,289
Chippewa (Minn.)	16%	$191,500
Green Mountain (Vt.)	35%	$33,055
Hiawatha (Mich.)	32%	$338,815
Huron-Manistee (Mich.)	37%	$336,989
Mark Twain (Mo.)	27%	$697,138
Monongahela (W.Va.)	20%	$43,869
Nicolet (Wis.)	27%	$139,252
Ottawa (Mich.)	27%	$211,822
Shawnee (Ill.)	20%	—
Superior (Mich.)	34%	$213,501
Wayne/Hoosier (Ind.)	33%	$3,189
White Mountain (N.H.)	43%	$63,465
Alaska Region (10)		
Chugach (Alaska)	29%	$1,305
Tongass (Alaska)	25%	$649,380
Nationwide Average	**36%**	**$73,935,311**



The Knutson-Vandenberg Act was designed to replace trees that are cut for lumber. In reality, much of the money goes to fund the Forest Service's bureaucracy.

What the K-V Act Says

Act of June 9, 1930
Sec. 3. The Secretary of Agriculture may, when in his judgement such action will be in the public interest, reacquire any purchaser of National Forest timber to make deposits of money in addition to the payments for the timber, to cover the cost to the United States of (1) planting (including the production or purchase of young trees), (2) sowing with tree seeds (including the collection or purchase of such seeds), (3) cutting, destroying, or otherwise removing undesirable trees or other growth, on the National Forest land cut over by the purchaser, in order to improve the future stand of timber, or (4) protecting and improving the future productivity of the renewable resources of the forest land on such sale area, including sale area improvement operation, maintenance and construction, reforestation and wildlife habitat management. Such deposits shall be covered into the Treasury and shall constitute a special fund, which is hereby appropriated and made available until expended, to cover the cost to the United States of such tree planting, seed sowing, and forest-improvement work, as the Secretary of Agriculture may direct: *Provided,* That any portion of any deposit found to be in excess of the cost of doing said work shall, upon the determination that it is so in excess, be transferred to miscellaneous receipts, Forest Service Fund, as a National Forest receipt of the fiscal year in which such transfer is made: *Provided further,* That the Secretary of Agriculture is authorized, upon application of the Secretary of the Interior, to furnish seedlings, and/or young trees for replanting of burned-over areas in any National Park. (16 U.S.C. 576b)

ZANE G. SMITH, JR.

Natural Resource Policy - Gov't Relations

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Andy Stahl, Director
AFSEEE
P.O. 11615
Eugene, OR 97440

July 25, 1996

Via Fax: 2 Pages

Dear Andy:

Thank you for briefing me on the Association's concern and planned discussions on the Forest Service's management of the KV fund. I believe your development of a white paper is timely and could begin the process of needed reform.

The extraordinarily high overhead assessments, which began in the mid 1950's, have been a disturbing matter for Forest Service people at all levels for a long time. During my 34 year career with the Service, primarily in Oregon, Washington, California and in the Chief's office, I have observed frustration with these excessively high rates at all levels. As a District Ranger, Forest Supervisor, Regional Forester and as a Staff Director on the Chief's staff, I personally shared these frustrations. It is accurate to say that needed post timber sale restoration work failed to have adequate funding simply because the overhead eroded the practical limits of resources available at the site.

The problem is rooted in complex causes, foremost of which, is the budgeting system the Forest Service must follow. The Congressional appropriations process does not recognize the basic stewardship level of funding required to properly manage the National Forests under the law. Consequently the agency is forced to be creative in its management of available funds to assure the basic level of stewardship. This results in the assignment to funds such as KV, responsibilities that were not envisioned when the law was passed. When the value conversion is marginal on a particular timber sale, the high overhead can mean that needed work cannot be financed. District Rangers, in particular, have a difficult time rationalizing funds being diverted to higher levels of overhead in the Forest Service, even the Chief's Office.

I really believe to resolve the dilemma, Congress must initiate reform in the way it provides funding to the Forest Service for management of the National Forests. Central to that is to provide a basic stewardship level for each National Forest and allow the budget to increase beyond that through funding of specific programs and their targets. Forest Service officers thus would be held accountable first for basic protection and ecosystem integrity, and then for accomplishment of other assigned targets. This would diminish the need for the high overhead experienced by KV, BD and other similar funds.

I applaud your plan to prepare a white paper on this issue around the KV fund and to initiate discussions with USDA, the Forest Service, and other interested parties. The Forest Service should welcome these discussions, as it has been the victim of a budgetary process that has led to the problem.

Thank you again for sharing your plans with me.

Best regards,

Zane Smith

Zane G. Smith, Jr.
Regional Forester, Retired

Mr. HORN. Our next presenter is Mr. Michael Roddy, the president of Green Framing Systems. It is nice to see you, Mr. Roddy, we have talked on the telephone.

Mr. RODDY. It is good to see you. Yeah, thanks for inviting me.

I would like to preface my remarks by saying I am not much of an expert on Forest Service fiscal policy or economic management. I am here more to talk about the bigger picture, particularly as it affects the construction industry and commodity pricing of wood as it appears from the national forests.

It appears to me that Forest Service management for some years has been following a very old economic model dictated by the fact that you think they can turn trees into money, and that by continuing to produce timber from the national forests, it would provide revenue to finance the other needs. This kind of got out of control in the 1980's to the point where Judge Dwyer ruled in the early 1990's that we were severely over-cutting our national forests, we were violating environmental laws. Many of the national forests' replanting efforts were not succeeding and anybody who has flown over these areas can certainly see a scene of considerable devastation. It was something that was very troubling to me, having grown up in California and the northwest and having lived in Oregon for a number of years.

I think it is kind of wise to view this overall perspective in terms of fiscal responsibility and what the true costs of timber sales are. As a couple of examples, I think you could say that fiscally, the Angeles National Forest was a failure in the 1980's because it did not produce any commodities and people had to use it for recreational interests paid for by the taxpayer. The Olympic National Forest was a success because they generated huge amounts of old-growth timber from there, the books looked very nice at the end of the 1980's and now naturally we are having to deal with not only a resource that has been almost destroyed in that particular area, but also areas that are going to cost untold millions and possibly billions of dollars to restore to anything resembling the original habitat conditions.

I think the outrage expressed in Dwyer's decision is continued to be felt by the American public and what we continue to see in these kinds of confrontations in Congress that Mr. Davis described is, on the one side, environmentalists say clearly we have not logged sustainably in the national forests, our resources have been degraded, we are paying the piper for it now, let us stay away from it for awhile. On the other side is not so much the timber industry but the construction industry, through their political arms in Congress, and I refer to the National Association of Homebuilders, the National Board of Realtors, and even the carpenters' union, which continue to maintain that we need a continuous supply of commodity two-by-fours from the national forests so we can have the American dream, so the homeowner will not be penalized by high construction costs, and so we can keep timber prices low.

My own perspective is a little different. I got into the steel construction industry in 1993 because I was a little outraged by what I had seen in the national forests and because I thought there must be a more durable and more environmentally sensible way to build. Well there was a tremendous lumber price spike in 1994, timber

prices reached $500 a thousand, there was a tremendous amount of euphoria in our industry because we thought finally we are going to have a market. In fact, there was a tremendous amount of interest in steel at the time, our technology was still in its infancy, we had really only developed the engineering standards in 1991, so we were tinkering with it, but in a lot of locations we were competitive with wood, even in that early stage of the technology.

What happened after the price spike of 1994 was that there began to be a tremendous importing of lumber from Canada, particularly from old-growth forests in British Columbia and more recently from the northern prairie provinces such as Saskatchewan and Alberta. They make no pretense of logging sustainably up there. Approximately 70 percent of the lumber that comes from Canada is from old-growth forests, as is the majority of the lumber that is now taken out of our own national forests. Homebuilders estimate that about 40 percent of the lumber used in housing construction now comes from Canada.

So what we have is a situation where environmentalists and pretty much a consensus of the American public have said maybe we do not need to cut old-growth forests any more, let us look at sustainably managed tree farms, let us look at more sensible ways of producing building materials, while at the same time we are continuing to carry out these ravages.

This situation can best be changed in two ways: One is, the Forest Service could legitimately address the cost of logging, to include restoration costs, damage to the environment, and particularly whether these trees are in fact going to grow back in the long term. The evidence is that they are not going to in an economically feasible way. A merchantable tree rotation in most areas of the national forests, which tend to be steep and have short growing seasons and thin soils, is in the neighborhood of at least 60 years to produce a 12-inch diameter tree. The private sector would have difficulty justifying an investment that does not produce results for 60 years because capital has to be tied up for this period. That is why private sector timber production tends to come now from the southeast and from tree farms in the northwest that are in more favorable locations, that are in lower elevation and receive more rainfall and can produce timber on shorter rotations.

If in fact, we cannot produce timber in the national forests that can compete in terms of commodity pricing with timber that is produced in the private sector, then maybe we should not be doing it. To give you kind of a clear cut example, right now a 2 by 4 costs $2. This is 8 feet long, inch and a half by 3½ inches. It supports 16 inches of roof or wall space, however you want to interpret it. This is pretty tough competition and it is probably about the cheapest structural material you can find anywhere in the world.

This is one reason I have shifted my business to overseas markets where light gauge steel competes very well with various forms of masonry, concrete, and brick production. Next week, I am meeting with the Governor of India, trying to negotiate to build 50,000 houses in New Delhi for slum-dwellers. They believe we can compete effectively even with simple mud brick technology, both in terms of speed, effectiveness, and even hard costs. I do not think we could do that in this country trying to compete with 2 by 4s.

It is against the law in India to build with wood, as it is in the Philippines. You cannot build with wood in most parts of Europe because the building codes consider it a fragile material, does not have the right floor deflection characteristics and it burns in a fire. So this addiction we have to wood construction that is perpetuated by national forest policy is maybe something we need to take another look at.

Considering the cost of reforestation, long-term capital investments, damage to the environment and putting a value on a tree and habitat, which currently is designated a value of zero by Forest Service accounting methods, maybe a 2 by 4 that comes from the national forest, particularly from an old-growth forest should cost $3 or $3.50. If that is the case and it cannot compete in the open market, then that is OK. Either prices rise and alternative materials begin to take market share or else it is not economical to take these trees out.

But what has happened now, in effect, is that we have subsidized timber production from the national forests in order to produce a commodity to buttress the American construction industry. Every time lumber prices spike, the home builders will all call up their Congressmen and say what are we going to do, people are being priced out of the market, builders are going crazy, how can we afford this. The reality is that for a 2,000 square foot house, the construction costs are going to be about $100,000, a little higher in California, around $50 a square foot. Out of that cost, it is only going to be about $5 a square foot for the wood. So if you have a lumber price spike, it will increase the price of a house about $2,000. This is not very much to the consumer, it is not going to price very many home buyers out of the market, the natural economic solution would be the home buyer will maybe use a little less wood or have a little smaller house.

But the reason, in defense of the home builders, that they have made such a big issue out of this is a price spike which is unpredictable and which is effectively called by long-term timber shortage could effectively wipe out his profit. Home building is a very low margin competitive business in this country. If you suddenly add $2,000 on very short notice to the price of a house, another regional home builder or maybe even another contractor will go broke. As has continued to happen in California, the big guys will take over. We do not necessarily want to see this happen either. Stable commodity pricing for home building materials is the answer, but a free market and an unsubsidized market is even more the answer.

Thank you.

Mr. HORN. Well, we thank you, Mr. Roddy.

[The prepared statement of Mr. Roddy follows:]

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CURRICULUM VITAE

Born 1947, San Antonio, Texas. Grew up in Northern California and Washington. Married with one child.

Education: University of California Berkeley, A.B. 1969. Graduated in top 1/4 of class. Social Science Field major, independent study of technology emphasis.

Publications: Numerous articles in technical and environmental journals, including *Metal Home Digest, Light Gauge Steel Engineers Journal,* and *Headwaters Journal.* Papers submitted to Construction Specifications Institute, Metalcon, Eco Expo, and International Conference for Sustainable Steel.

Government Activities: Testified before US Congress in 1997 (Interior Appropriations). Worked closely with Washington on Research and Development funding for steel framing (approved in 1998) and on Federal Agency support and coordination for India low income housing.

Career Highlights

1993-98: President, Green Framing Systems, acting as steel framing consultant, product broker, and development principal. Built 300 units in Kobe, Japan, in 1995. Brought LBN header, a high tech specialty beam, onto the American market in 1996. Won contract to build light gauge steel housing for American Embassy employees in Bucharest, Romania, in 1997. Consulting performed for delegations from Japan, China, Belgium, Mexico, Sweden, and Australia, as well as multinational corporations such as BHP and Kawasaki. Frequent speaker at building and environmental conventions.

1980-92: Semiretired real estate developer in Ashland, Oregon. Led wilderness expeditions, such as the first descent of the Mahajamba River in Madagascar. Extensive private research and world travel undertaken.

1976-79: Production Manager, Alten Corporation, Mountain View, Cal. Oversaw manufacturing of high tech extruded copper/aluminum solar collectors.

1974-76: Owner, Water Wilderness Trips, Ashland, Ore. Ran whitewater and steelhead fishing expeditions on the Rogue, Klamath, and Grand Ronde Rivers in Oregon and the Colorado River through the Grand Canyon in Arizona.

Interests: History of technology, historical philosophy, forest ecology, structural engineering, worldwide house design. References provided on request.

NATIONAL FORESTS ARE MANAGED FOR COMMODITY PRODUCTION

- For the last five decades, National Forest management policy has emphasized low cost timber production. This has been achieved by a variety of subsidies, including purchaser road credits, below cost timber sales, and an accounting system that assigns zero value to both trees and wildlife. Even when timber bidders pay only for Federal administrative costs, deficits are common practice. The Congressional Research Office verified a Forest Service budget deficit of $791 million for fiscal 1996.

- The political pressure for forest policy has come from the American construction industry, which is the biggest industry in the world and accounts for over 60% of our lumber consumption [RPA Timber Assessment Update, 1993]. They have become trapped into continuing to support low lumber prices, as competing materials have had difficulty capturing market share. Wood products are used instead of more durable and abundant alternatives as a direct result of a variety of Federal subsidies.

- Secondary costs of Federal forest management are many times the USFS deficit. Landslides, destruction of fish and wildlife habitat, and loss of recreational opportunities as a result of industrial logging cost the American people untold billions of dollars. Future generations must also cope with degraded air and water quality and permanent simplification of ecosystems. These effects are well documented in a number of scientific studies.

- Logging techniques mimic tree farming on more productive lower elevation private tree farms. National Forest land tends to be on steep slopes with short growing seasons and long recovery periods. It can take centuries to produce sawtimber comparable to what we now routinely clearcut on Federal Land, and many areas have problems regenerating at all. With the National Forest Management Act mandating sustained yield, this long term cost would be untenable for a private landowner.

- Privately owned tree farms cannot meet sawtimber demand for housing, even if population remained stable. In spite of attempts to increase productivity through agricultural techniques, we still use approximately 35% old growth lumber in housing construction. This is a staggering amount of material, and complex ecosystems are being replaced by biologically simple tree farms, to the extent that forests are replaced at all. Replanting frequently fails in our National Forests, and is often not even attempted in Canada.

FEDERAL POLICY HAS DISTORTED BUILDING MATERIALS MARKETS

- American homebuilding is now dominated by timber framing as a result of Government policy here and in Canada. Other materials cannot compete effectively against a commodity that enjoys a wide range of Federal subsidies, including access to cheap timber on Forest Service land. An eight foot two by four now costs slightly over $2, and supports 16" of wall space. This price does not reflect long term supply and demand, cost of production, or environmental damage.

- In 1994, lumber prices spiked dramatically, and alternative materials such as steel and concrete began to attract wide interest. Soon afterward, lumber imports from Canada filled the gap, stabilizing and then lowering prices. Provincial and Federal subsidies North of the border are similar to our own in providing timber from Government land at low stumpage prices and with a welter of related subsidies. Michael Mascall, a former World Bank economist, estimated subsidies in British Columbia alone to be in the neighborhood of $2 billion annually. Lumber prices are now low enough to discourage investment in alternative materials except in niche markets such as Hawaii and coastal Florida, where wood cannot perform well.

- Over 70% of imported lumber from Canada is estimated to come from old growth forests. Much of this material comes from ancient boreal forests in Northern Alberta and Saskatchewan, where growth is slow and logging practices are clearly unsustainable. Canadian wood now fills about 40% of our house framing needs. We have effectively exported environmental destruction, making a mockery of our stated wish to contain global warming and protect vanishing ecosystems.

- Standard American housing technology is rarely competitive overseas, where wood is considered to be a fragile and inappropriate building material.

- Reliance on wood as a basic building material has led to older neighborhoods becoming unaffordable to occupants who cannot do the constant maintenance required. In many cases, elderly residents must abandon the homes which were built in their lifetimes. If we instead used inert and durable structural materials, houses will last longer and neighborhoods will not become disposable commodities.

BENEFITS OF SHIFT FROM COMMODITY PRODUCTION TO ECOSYSTEM MANAGEMENT IN NATIONAL FORESTS

- Only about 6% of framing lumber now originates from National Forests, often from below cost timber sales or as a Federal beneficiary in other forms. If these lands are allowed to recover, the marketplace will adjust.

- The Canadian Government will need to join in this effort, and its people educated about the economic benefits of breaking a dependence on raw materials extraction. Political leaders must negotiate environmentally responsible trade agreements through the World Trade Organization, eliminating or reducing traffic in ancient forest products- or at least mandating sound forestry practices. Otherwise, domestic producers can justifiably point to unfair competition from countries with weak environmental laws. Sound science must stimulate courageous political leadership on both sides.

- If positive steps are taken in Washington, scarce wilderness will be left for future generations, and air and water quality will improve. Afforestation will become an effective counter to global warming by increasing carbon sequestration. Western National Forests are ideally suited to this change, since they have been badly damaged by industrial logging and will need decades to recover. Private forests have already been almost entirely converted to short rotation commodity production. Public policy will match the environmental goals set in international conferences, as the American Government could show leadership on a key environmental issue. It has been estimated that deforestation accounts for half of the global carbon buildup since 1800.

- American homebuilders will become less dependent on a single structural material, resulting in houses that can be designed to last for centuries instead of decades. NAHB has already taken positive steps to stimulate more modern technologies through PATH (President's Initiative to Advance Technology in Housing). Alternatives to wood framing such as steel are already close to being competitive with timber framing. With reduction of subsidies and elimination of artificial markets, better quality and more environmentally sensitive construction techniques will prevail in the marketplace.

- If National Forest policy results in land management dictated by both biology and economics- as opposed to politics- homebuilders will ultimately benefit. More abundant and less vulnerable sourcing will result in price stability. Timber producers won't face the pressure of unsustainable production levels and public outrage. America will have better houses- and restored wilderness will allow us to again be called America the beautiful.

Mr. HORN. You raised a point that I meant to get on the record—the percentage. Is Mr. Stewart still here?

Mr. STEWART. Yes.

Mr. HORN. Do you know offhand what percent of the timber in the United States that is sold for lumber is represented by the Forest Service timber? I have been given a variety of figures as to the percent the Forest Service contributes to our production of timber annually. Do we have a figure?

Mr. STEWART. I do not have it handy. I have seen a number and I am trying to think, something less than 10 percent now?

Mr. RODDY. Yes, I have got that figure.

Mr. HORN. I have heard 3 percent, so I am just curious. It is 6 here, 3, and 10.

Mr. RODDY. The figures that I have are that our lumber consumption, as opposed to overall wood products consumption which includes paper products, is about 60 billion board feet a year. Out of that, we import a little over a third from Canada. And out of that figure, as you mentioned, about 3 billion board feet comes from the Forest Service. It does not sound like a lot and it does not sound critical, but in the bigger picture it is needed to support low lumber prices because if it is taken out altogether without massive imports from Canada, then we achieve, in my opinion, a truer price structure.

Mr. HORN. Well, our next presenter might well know. Mr. John Hofmann is vice president for government affairs of the California Forestry Association. You probably know of the timber produced in California which comes from the private sector, which comes from the State forests, if any, which comes from the national forests.

Mr. HOFMANN. I think it is probably more important to take a look at where you want to be, where we once were, than where we are today, because there is a lot of factors embedded into where we are today that distort the picture.

If you want to look at 1950 when the Forest Service came up with a program, they had estimated by the year 2000, which is pretty close to where we are today, that the American people would need 100 million board feet of timber, they would consume that much. That is log scale. They determined that the national forest share of that ought to be 21 billion board feet. Now the amount of imports at that time was 1.8 billion and they decided that it was not appropriate to look to other countries, that it all ought to be produced right here in the United States, and then the private land owners then had the balance of that, the difference between the 100 and the 21 billion.

The Forest Service then was on a program to grow 21 billion board feet so that they could sustainably harvest that by the year 2000. At the time, they were growing about 4.5 billion board feet. That really is the history of the Forest Service. All of their timber harvesting practices were geared to grow 21 billion board feet by the year 2000, and that direction was never changed and I think it is probably something that somebody ought to take a look at today, because instead of harvesting 21 billion, now that we are close to the year 2000, we are harvesting 3.8 billion, or I think last year, the figure was 3.3. The President's proposal for last year was to sell 3.8 billion, but harvest I think was 3.3.

But on the other side of the equation, the Forest Service, before we continue kicking them real hard here, they accomplished their objective. They are today growing 22 billion board feet. And I guess I would submit that that is part of the problem we face in our national forests, we are growing 22 billion every year and we are removing less than 4. I also might add that we are removing from foreign countries about 16 billion. So we could replace those imports, as Mr. Roddy has said, that is primarily from old growth in a lot of areas. We could replace that with home-grown timber from national forests at no detriment to the growth in the United States.

Now the question then becomes—you change the question—do you really want to do that, and that is a whole different question. But if you do not want to remove 22 billion board feet, you ought not grow 22 billion and you ought to probably give a different direction to the Forest Service to have them change their practices so that they are no longer increasing the density of our national forests, which contributes to and is the major cause of the fire outbreak.

So there is maybe a long history and answer to your question of where we are and where we could be.

I guess I would like to maybe look at as we manage our national forests—you know, I agree primarily with things that have been said before, so I will be somewhat brief.

At the back of my testimony is a chart and it shows that the timber sale revenues have actually increased. Again, it is the way you look at the picture. The actual revenues have increased this decade. However, the expenses have increased to a greater degree. That has produced a negative net return. The maybe somewhat shocking news was from the GAO report that showed that of the trust funds, and if those trust funds are typical of the rest of the management of the national forests, and I assume that they are, the overhead expenditures have doubled in some cases, salvage sale fund doubled. And that ought to be a cause for great alarm.

In other words, what we have done is we have reduced the amount of ground activity, but we have not reduced at all the activities in relation to overhead. And in our re-invention of the Forest Service, which is supposed to be the model re-invention, we have failed to—we have cut the ground person and the ground activities, we have reduced the timber sale program tremendously and all the other activities that it has funded over those years, as has been acknowledged here throughout this day, but we have not looked at, at least fundamentally or in a meaningful way, the method of reducing the overhead. You have got two choices. One is to reduce the overhead or to increase, once again, the activities that that overhead is designed to take care of. That is a decision that probably needs some further investigation. I might add that in some projects today, we have over 50 percent overhead charges.

Now on one side of that equation then is the overhead and the cost to the Forest Service. On the other side of it, however, is the timber sale program itself. The timber sale program in the United States was at one time primarily a commodity output program. It is no longer that way and has not been that way for the last several years. It has changed now to primarily a non-commodity output, at least here in California. In California, as the President had

indicated in his forest plans, at one time, just 10 percent was non-commodity. Today, or in 1996, in California, 53 percent of the timber sale program was non-commodity. Now that is hard to generate enough dollars to pay for the overhead when it is a non-commodity.

However, I think most Americans would be in support of a program that really looks at forest health and addresses what really ought to be removed from the national forests rather than what can we get out of the national forests at a profit. In fact, many have accused the Forest Service of removing only the high commodity, the high value material. Today, the timber sale program looks at what can we do for the good of the forest, but that is costing the American taxpayers. Just like all other programs that look at what is the best in the long run are sometimes not the greatest economic return in the short run.

I would maybe refer to a couple of laws that would need to be changed, if you feel that we ought to now manage for profitability. And that would be the Multiple Use Sustained Yield Act, the National Forest Management Act, each of which require the Federal Government, the Forest Service, to manage, not necessarily for the greatest dollar return but for the combination of goods and services that will meet the greatest needs of the American people. I think that probably most, even those that are very critical of a below-cost program, would be opposed to reversing those laws and managing our national forests for the greatest dollar return.

I might then also turn quickly to recreational fee. In coming from a timber perspective, I simply would note that for many, many years, the timber sale program has supported the recreational program. We have built many of their roads that they use. In fact, probably—the Forest Service could probably give you the figures, but I would venture a guess that it must be at least 90 percent of the roads that the Forest Service has and is used by recreationists probably came from the timber sale program.

Mr. HORN. When you say "we", do you mean the private industry that is going in or do you mean the Forest Service building the roads? My impression was the Forest Service built the roads.

Mr. HOFMANN. The Forest Service paid for the roads——

Mr. HORN. Right.

Mr. HOFMANN [continuing]. We built them as contractors.

Mr. HORN. Oh, OK.

Mr. HOFMANN. We did the work.

Mr. HORN. But they paid for them. We, the taxpayers.

Mr. HOFMANN. Yes, yes, sir. You, the taxpayers paid for them because they are an investment that you keep, and which the recreationists then are able to use.

The point there is that when the—now, today we are no longer doing that. We also maintain those through the timber sale program—again, we, the timber sale program, we, the contractors, work for the government to maintain those roads and we simply no longer do that. We do not use enough of the roads to have an adequate maintenance program or to be an adequate service for the Forest Service to use to maintain those roads. Somebody else has to pick up that bill, and that recreational fee then is part of—although it has not come to maintenance of use, but that is part of the reason as we get into—we have to look where are the funds

going to come from. It is no longer going to come from the timber sale program to do the maintenance work, to do the trash collection, to do whatever is necessary in terms of recreation.

The caution that I would have in there is that as we turn to look where we can get money from, are we going to also look at a below-cost program eventually? You know, in the past, we have recognized that recreation did not pay for itself, but as we try to make it pay for itself, will we eventually turn that around and say, "Gee, maybe they ought to be paying for themselves and into a below-cost situation." We have had, as timber workers, some of our folks have complained that, "Gee, now I can no longer work in the woods, now I have to pay to even return to the woods, to use our national forests." So there is a little bit of animosity there in some cases.

Mr. Chairman, I want to emphasize that we are as concerned as anybody with the fiscally responsible management of our national forests. We think that the forests ought to be managed in environmentally sound ways and fiscally prudent and socially responsible.

Thank you.

[The prepared statement of Mr. Hofmann follows:]

Testimony of
John Hofmann
Vice President, Government Affairs
July 7, 1998
Subcommittee on Government Management, Information, and Technology

Mr. Chairman, I am John Hofmann, Vice President of Government Affairs for the California Forestry Association. The California Forestry Association (CFA) is a trade association, representing industrial forest landowners and producers of forest products. Our members produce nearly 70 percent of the forest products produced in California. Products include wood biomass used in energy production and a wide range of building materials, shipped all over the world. Our members depend upon trees grown from a combination of federal, private industrial and private non-industrial forest lands. CFA is dedicated to the assurance of an adequate and sustainable supply of forest products at an affordable cost while enhancing forest health and safety.

The California Forestry Association is concerned with the rising costs reported by the Forest Service to manage national forests. Through recent years, as indicated in the attached chart, timber sale revenues have increased, but dramatic increases in timber sale expenses have reduced net revenues. Most troublesome is the alarming trends indicated by several off-budget trust funds recently reported by the General Accounting Office. The direct, on the ground expenditures declined dramatically for both Brush Disposal and K-V Funds during the past five years, but the expenses for overhead increased and the overhead costs for the Salvage Sale Trust Fund more than doubled during that period. Had the Administration controlled the overhead costs at the 1993 level, 25 percent more forest treatments would have been accomplished in 1997.

At the onset of this Administration, a new program was announced to reinvent the government, using the Forest Service as a model. The Administration, through the succeeding years, has reduced the Forest Service workforce by thousands of employees, primarily at the production level. Correspondingly, the goods and services flowing from the national forests have been drastically reduced. But the Administration has done little to reduce its overhead structure. Today, the overhead charges on many projects exceed 50%, making the projects themselves appear to be of questionable economical worth.

Projects that do not return sufficient revenue to recover the governments invested costs are frequently labeled "below-cost" and are referred to as a subsidy. Subsidization is not determined by whether the federal government recovers its costs. The Multiple Use-Sustained Yield Act and the National Forest Management Act requires the Forest Service to manage "the national forests so that they are utilized in the combination that will best meet the needs of the American people;--and not necessarily the combination of uses that will give the greatest dollar return or the greatest unit output" and "only where--the harvesting system to be used is not selected primarily because it will give the greatest dollar return." Most Americans, including those that support the elimination of below-cost timber sales, would oppose any effort to manage strictly by the

greatest dollar return. Americans do support projects that are environmentally sound, fiscally prudent and socially responsible.

Forest Service projects can be visualized by a set of balance scales. On one side of the scales is the cost incurred by the government to complete the project. Such costs include biological evaluations, environmental assessments, appeals and litigation. Government costs must be balanced on the other side of the scale with revenue. Revenue is a factor of the product market value minus the costs to produce the goods or services. It is disingenuous of individuals who expend their energies to increase the costs to the federal government, and/or to reduce the revenue, the result of which is to produce below-cost projects, and then call for the elimination of below-cost projects.

The timber sale program in the past few years has shifted from primarily commodity production to one of forest health treatments for the benefit of wildfire risk reduction, eliminating pests, and improving fish and wildlife habitat. As the President's forest plans indicate, traditionally 10 percent of the timber sales program was non-commercial wood. By 1996, 53% of the wood removed through the timber sale program in California was non-commercial. This is nothing new to the Southern California national forests that have offered primarily non-commercial wood sales historically, and consequently have always been below-cost forests in relation to the timber sales program. Opponents to forest management seek to make all national forests fiscally equivalent to the Southern California Forests through a drastically reduced timber sale program that now bears the expenses of removing primarily non-commercial wood along with high overhead expenses. Forest Health treaments will not always return short-term profits, but they will reduce future tax payer expenses for fewer listings under the Endangered Species Act and fewer forest fires. Elimination of below-cost timber sales would severely impact Southern California Forests.

Recreational use of the national forests appears headed down the same road as timber sales have traveled. The Forest Service budget proposal requests 20% more funding for recreational use than for timber sales management, yet revenues from recreation are less than 10% of timber sales receipt. The Forest Service demonstration recreational fee is an attempt to recover some of the costs. For the people in forest communities that were forced to leave employment in the woods, they must now pay to return. Assuming the demonstration proves unsuccessful in raising sufficient revenues to cover the recreation-related activities, do we eliminate below-cost recreation?

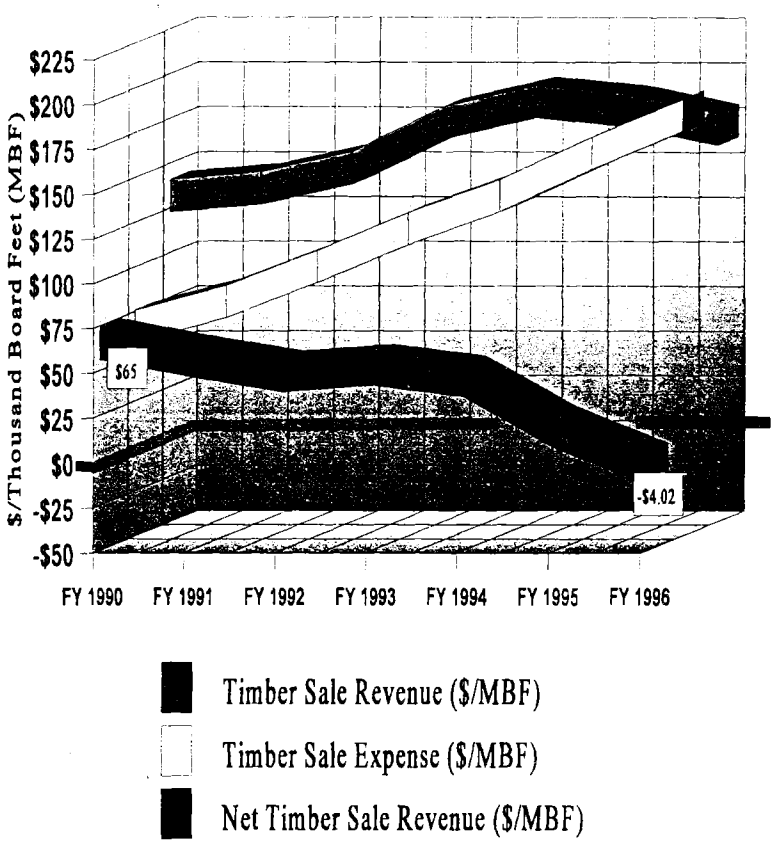
Do we really want to apply a "below-cost" standard to national forest activities?

Forest scientists acknowledge the greatest threat to our national forests is the risk of catastrophic fire due to fact they contain too many trees and many are the wrong species. The California Forestry Association has joined with the Wilderness Society and other environmental organizations for the past 5 years to encourage increased funding for hazardous fuels reduction. These funds are used to reduce fuel loading that consists of brush, down woody debris and trees that would have never grown without fire suppression. Use of these funds will likely never return a direct monetary profit to the Forest Service. However, like modern timber sales, the

objective is to protect & enhance water quality, wildlife habitat, recreational areas, and forest resources by reducing the risk of wildfire.

The Forest Service must provide fiscally responsible management. Not until accurate fiscal reporting is achieved will local decision makers be able to reduce costly overhead burdens and propose cost-effective projects. Our national forests need active management through forest health treatments that are environmentally sound, fiscally prudent and socially responsible.

NATIONAL FOREST TIMBER SALE REVENUES & EXPENSES
1990-1996



Source: USDA Forest Service Timber Sale Program Information Reporting System (TSPIRS)

Mr. HORN. We thank you, Mr. Hofmann, thank you for coming here. Where are you based, in Sacramento?

Mr. HOFMANN. Based in Sacramento, but I might add that I grew up not far from here, in Santa Ana. I thought it was interesting, I spent some time in Mr. Davis' district as well. Now I am just in your sister State north of the Tehachapis.

Mr. HORN. I remember, I grew up in northern California, I live in southern California. I remember 10 years ago I was going up to make a speech, this was before I ever got to Congress, and I get off the plane in San Francisco, and a lady I have never seen in my life comes up to me and she said you are stealing our water, you know. They are very sensitive north of the Tehachapis, is what that boils down to. I said, "Lady, I have got a ranch in San Bernardino County." We do not want that county discovered, by the way, so pretend I have not mentioned it. People are moving there unfortunately.

But anyhow, let us get on then with Mr. Corcoran, Bill Corcoran is the Public Lands Assistant for the Sierra Club.

Mr. CORCORAN. Thank you, Mr. Chairman. I work for the Angeles Chapter of the Sierra Club, which represents Los Angeles and Orange Counties. It has 50,000 members. I appreciate the opportunity to do this and appreciate your courage in entering the arcane mysteries of the Forest Service budget.

I want to speak about the management of one forest in particular today, and that is Sequoia National Forest. The Angeles Chapter has adopted it as its backyard Sierra Nevada forest and I think it is one familiar to many of your constituents. There are a lot of folks in southern California whose first backpacking trip, first walk among the sequoia trees takes place on Sequoia National Forest. I also think it represents a lot of the problems engendered by an unneeded timber program, specifically in the Sierra Nevada. It is easily accessible from both southern California and the fast growing region of San Joaquin Valley, specifically Bakersfield. There are large and growing demands for recreational opportunities on the Sequoia. The congressionally requested Sierra Nevada ecosystem project found that more folks visit Sequoia National Forest than do Kings Canyon and Sequoia National Parks. The forest also shelters watersheds critical to the California economy, including the Kern River.

Unfortunately, Sequoia National Forest, because of budget incentives and because of policies of Congress, have long pursued timber cuts that are devastating to the long-term viability of the Sequoia National Forest. Having met with the supervisor and some of the staff, I understand that it is not that some of the Sequoia staff do not know what should be stopped and what should be done for the best interests of the health of the forest, but it is really a question of their budget's reliance on timber revenues. Each year, Sequoia National Forest prepares a number of timber sales at great expense. This is a heavy appeal forest and that is in part because it has very steep slopes. Most of the timber is gone and there are a large number of fur-bearing mammals whose long-term survival is in question. That has created a lot of difficulties and a lot of expense for the forest in trying to find timber to cut on the Sequoia.

Very often the sales are withdrawn or tinkered with or folded into other sales and come back again. We look at them again, they look at them again, and very often they are withdrawn or there are no bidders. So I think that is one very large expense that the Forest Service incurs every year on Sequoia National Forest, just in the sales planning alone.

Now I had a figure in here from the Wilderness Society on the loss of Sequoia National Forest in fiscal year 1996. The Wilderness Society reports a return of 63 cents on the dollar. Randal O'Toole quickly pointed out to me before the hearing that in fact, if one looks at the K–V funds and other funds that are retained by Sequoia National Forest, it is actually 33 cents on the dollar for the timber program on Sequoia National Forest. This has been a perennial money loser, this has gone on for probably 15 years at least.

What I want to look at today is whether reforming the Forest Service budget would be enough. And I would argue that it will not be. For example, K–V funds are a deservedly criticized component of the Forest Service budget and we have heard great testimony I think from Mr. O'Toole and Mr. Stahl regarding that.

But what if we were to return the K–V funds to Sequoia for reforestation? Would it help? I would say it will not because the reforestation of Sequoia is a flat out disaster. The Sacramento Bee reported in 1991 that less than 20 percent of the acreage replanted on Sequoia between 1976 and 1986 was certified as successfully restocked. The key word here is certified. When you ask the Forest Service what has been reforested, ask them what has been certified as reforested. Sequoia National Forest has a terrible record of this.

Mr. HORN. What would be the definition, if you had certified as reforested, is that simply planting or is that a degree of growth over a certain time period?

Mr. CORCORAN. My understanding is it is a degree of growth over time because they have gone to sites where they have cut and they have replanted two or three times and they cannot list those as certified reforesting. They can say we reforested, we reforested this many acres, and you will hear that figure a lot. But the one to ask about is what is certified.

Randal O'Toole has cited Sequoia as an extreme example of failed reforestation with a routine reforestation budget that in 1991 he estimated at $1,300 an acre, three to five times the amount of many national forests, and up to $2,000 an acre for reforestation.

I just want to point out, this is the southern-most Sierra Nevada forest, it is semi-arid, it has hot summers, has very steep slopes, it is a forest that does not heal very well. It is one that has been cut very, very hard.

So the basic question in my mind is not whether K–V funds are abused, it is does reforestation work, how do we define work? Is reforestation biologically desirable? Is logging the highest use of our increasingly scarce wild lands? Does reforestation protect other important values and resources? What I hear from my members is these are the kind of questions that they expect their elected officials to consider and decide upon.

For example, another problem we confront on Sequoia National Forest is fire. Fire is becoming the rationale for logging on Sequoia National Forest. There are plans to create things called defensible

fuel profile zones, or DFPZs. And we are seeing these proposed for the Quincy Project and we are seeing it also on the Sequoia. Another meaning for that may be defensible funding personnel zones, because I think what they are doing is looking for trees to cut, to keep their staff working. I appreciate the pressures that they confront day to day, looking at folks who might be out of work, but really we are there to protect the long-term health of the forest. My fear is that under the guise of forest protection, we are opening up another sad chapter in commercial timber cutting on Sequoia National Forest.

I wonder what the real costs of the commercial timber program are, to followup on Mr. Roddy's comments. You know, what are the long-term costs in an area that is cut, fails to reforest, and remains an eroded brush-covered lot instead of the habitat and watershed that it once was. We do not know because we do not know what the costs are for that, they are not monitored. What are the deferred costs in increased risk of fire due to poor timber practices and an overkill approach to forest fire that costs billions? What are the costs to recreationists who wander past the beauty strips and into the back country only to look over vistas pocked by clear cuts? Again, we do not know, though now the Forest Service is eager to market-value recreational experiences on those forests where it has recreation fee demonstration projects.

When Congress passed the National Forest Management Act in 1976, it directed the Forest Service to identify lands not suited for timber production, considering physical, economic and other pertinent factors. How can the Forest Service fulfill this mandate without a credible, transparent method for identifying uneconomic lands? It cannot, so it does not.

The National Forest Management Act also requires an annual report, in which, among other things, the Forest Service is directed to track representative sample sale costs, including an identification on a representative sample basis of below-cost sales. It has been very frustrating to see this part of the National Forest Management Act ignored. I would ask that your subcommittee look into various ways in which the Forest Service has failed to comply with reporting requirements of the National Forest Management Act, and to seek remedy for nomcompliance. Citizens and their government need these required reports.

So I would ask that we think about how much money would be saved if Sequoia National Forest could step out from under the tyranny of a budget driven by timber money. This simply should be a recreation forest; it is not an appropriate place to run a commercial timber program. They cannot even pay their minimal agency costs out of their timber program. Expensive planning, appeals and litigation could be set aside. So what I am thinking is, why do we not have a demonstration project in which we remove all Sequoia National Forest from the timber base? It would be an opportunity to experiment with alternate ways to fund our forest reserve system, which has become an integral part of American culture and which is a public good worthy of public financing.

I appreciate the comments about profitability and incentives, but I think it is also very important to think about the long-term cultural history of the national forests and their place in the American

culture. Sometimes our Government decides that something is a public good and that it needs to be protected and that it is accessible to everyone, regardless of their economic situation. I myself have had some pretty rough times as a kid, and we used the national forest because we could.

So while it is critically important to analyze the Forest Service budget and its perverse incentive shoddy bookkeeping and a proliferation of budgetary back alleys, it should be done as a part of an effort to develop a coherent policy for our national forests. And that I think rests with Congress. Maybe that would be a policy that a rational budget would implement.

I appreciate your time and the opportunity to speak.

Mr. HORN. Well, we thank you for coming. I had the same experience you had as a boy, between a State forest and a national forest, things were free, the Depression was on, we ate beans. But we at least enjoyed life, going visiting the national forests and the State forests.

Our next presenter is Mr. Adam Berger, the staff attorney for Earthjustice Legal Defense Fund. Mr. Berger.

[The prepared statement of Mr. Corcoran follows:]

Statement of Bill Corcoran, Public Lands Conservation Assistant for the Angeles Chapter of the Sierra Club before the Subcommittee on Government Management, Information, and Technology on "Oversight of the Management Practices at the U.S. Forest Service"

Bellflower, California July 7, 1998

The Angeles Chapter thanks Chairman Horn and the Subcommittee for holding these hearings. Bringing sunshine to the Forest Service budget mysteries will enable citizens, members of Congress, and the Forest Service itself to make better informed decisions about the management of a forest reserve system that despite decades of overlogging is still the finest such system in the world.

I want to speak about the management of one forest in particular, Sequoia National Forest, that is familiar to many of Mr. Horn's constituents and which is representative of the problems engendered by an unneeded timber program.

Sequoia National Forest is the southern-most Sierra Nevada National Forest. It is easily accessible from both southern California and the fast-growing region of Bakersfield. Sequoia National Forest is emblematic of the challenges that confront the Forest Service. There is a large and growing demand for recreational opportunities on the Sequoia--the Sierra Nevada Ecosystem Project reports that more people visit Sequoia National Forest than visit Kings Canyon and Sequoia National Parks. The forest also shelters watersheds critical to the California economy. Yet because of the perverse incentives of the Forest Service budget and because of a divided Congress, both in this session and in previous ones, the Sequoia National Forest has long pursued timber cuts that are devastating to the long-term viability of the forest.

It's not that some of Sequoia's staff don't know what needs to be done and what needs to be stopped. It's a question of conforming to Congress's desires for timber cutting and to their own budget's reliance on timber revenues. Each year Sequoia NF prepares timber sales at great expense. Then the sales are reviewed through NEPA and are usually found to be unacceptably damaging to watersheds, wildlife, and recreational opportunities. At that point, many sales are withdrawn and later are combined with other sales or otherwise tinkered with and offered again. Once again at great expense. Often, sales are withdrawn because there are no bidders. Cuts in timber volume that have been absolutely necessary for even minimal protection of key species have reduced the timber base, which has been cherry-picked over the decades and which was severely depleted in the great forest massacre of the 1960s, 1970s and 1980s. According to the Wilderness Society, in FY 1996 Sequoia National Forest returned only 63 cents on the dollar for its commercial timber program. Sequoia National Forest is a perennial money loser whose timber program simply cannot cover even minimal agency costs.

Will reforming the Forest Service budget be enough? No.

For example, K-V funds are a deservedly criticized component of the Forest Service budget. Setting aside the criticism of K-V as a perverse incentive, however, let's look at the criticism that it is inappropriate for K-V funds to be used for items other than re-forestation, habitat

improvement, etc. On the Sequoia returning K-V funds to re-forestation won't help. Why? Because the re-forestation of Sequoia is a flat-out disaster. The Sacramento Bee reported that less than 20% of the acreage replanted on Sequoia between 1976 and 1986 was certified as successfully restocked. Randal O'Toole has cited Sequoia as an extreme example of failed reforestation, with a routine reforestation budget that spends an average of $1,300 an acre--three to five times as much as many other national forests. The steep slopes, hot summers, and semi-arid conditions make this a forest that heals, if at all, only very, very slowly.

In fact, the basic question is not whether K-V funds are abused. The question is does re-forestation work? And how do we define "work"? Is reforestation biologically desirable? Is it the highest use of our increasingly scarce wild lands? Does it protect other important values and resources? These are, perhaps, the kinds of questions that citizens expect their elected officials to consider and decide upon.

What are the real costs of the commercial timber program? We don't know. What are the long-term costs of an area that is cut, fails to reforest, and remains an eroded, brush-covered lot instead of the valuable habitat and watershed that it once was? We don't know because those costs aren't monitored. What are the deferred cost in increased risk of fire due to poor timber practices and an overkill approach to forest fire that costs billions? What are the costs to recreationists who wander past the beauty strips and into the back country only to look over vistas pocked by clear cuts? We don't know. Yet the Forest Service is eager to market value recreational experiences on those forests where it has recreation fee demonstration projects.

When Congress passed the National Forest Management Act in 1976, it directed the Forest Service to identify lands not suited for timber production, considering physical, economic, and other pertinent factors. How can the Forest Service fulfill this mandate without a credible, transparent method for identifying uneconomic lands? It cannot, so it does not.

The NFMA also requires an annual report in which, among other items, the Forest Service is directed to track representative sample sale costs, including an identification on a representative sample basis of below-cost sales. It has been very frustrating to see this part of NFMA ignored. I ask that your subcommittee look into the various ways in which the Forest Service has failed to comply with the reporting requirements of the National Forest Management Act and to seek remedy for non-compliance. Citizens and their government need these required reports.

The broken Forest Service budget reflects a broken national policy on our National Forests. The best timber is gone, a huge and costly road network needs to be maintained or ripped out, and the incredible expense and complexity of trying to find commercial timber, plan a cut, review the impacts on the environment, and attempt to mitigate those impacts all are elements that tell us that this particular joy ride is over.

Yet every summer, Sequoia National Forest will cut more trees that the forest can't afford to lose and that taxpayers can't afford to keep losing money on. All to keep a broken system limping

along. Without demonizing the Forest Service, it is time for Americans to have a full and open accounting of what is being done to their forests and to what purpose. The Sierra Club believes that they do not support the degradation of a national treasure in order to keep a bureaucracy afloat.

Our members voted to support the end of commercial timber cutting on our National Forests after considering the decades-long struggle that citizens have engaged in to protect our forests. That vote is sometimes characterized as an expression of extremism. That would be a comfortable way for some to characterize it. More accurately, however, it should be seen as an expression of incredulity at and frustration with the failure of their elected officials to honestly and objectively review the timber cutting program and to understand the depth of our desire to see these forests protected and handed on intact to the next generation.

Imagine how much money would be saved if Sequoia National Forest could step out from under the tyranny of a budget driven by timber money. Expensive planning, appeals, and litigation could be set aside. Staff resources would be freed up to manage the resource in a way that serves citizens' needs for recreation and clean water. Why not have a demonstration project which removes all of Sequoia National Forest from the timber base? It would be an opportunity to experiment with alternate ways to fund our forest reserve system, which has become an integral part of American culture and which is a public good worthy of public financing.

While it is important to analyze the Forest Service budget and end perverse incentives, shoddy bookkeeping, and a proliferation of budgetary back alleys, it should be done as part of an effort to develop a coherent policy for our national forests--a policy that a rational budget would implement.

Thank you for this opportunity to appear before you.

Mr. BERGER. Thank you, Mr. Chairman. I represent Forest Service employees for environmental ethics in their lawsuits challenging Forest Service use, we would say misuse, of the Knutson-Vandenberg, or K–V Fund. We have essentially raised two issues in that lawsuit, in those lawsuits, that I would like to touch on today. One is the allocation of K–V trust funds to overhead expenses of the Forest Service. The second is the agency's failure to collect those deposits from timber purchasers in addition to the payments from the timber.

Turning first to the overhead issue, the allocation of K–V funds to overhead expenses has several consequences. One is the contribution to the incentive structure that Mr. O'Toole already discussed. Another is a direct reduction in the amount of money available for on-the-ground reforestation and restoration of cut-over areas. And virtually every national forest has a backlog of reforestation, timber stand improvement, and other renewable resource projects. A third consequence is that it undermines larger efforts to control the overhead budget and size of the Forest Service bureaucracy as a whole.

As Mr. Stahl told you, the plain language of the K–V Act sets forth the activities on which K–V funds may be spent. That is, replanting, control of competing vegetation, timber stand improvement and restoration or improvement of other renewable resources such as watershed, recreation, and wildlife habitat. Overhead is not authorized anywhere in the language of the K–V Act.

Now the Forest Service and the Department of Justice have seized upon the phrase "cost to the United States" in the language of the K–V Act to justify the expenditures on overhead. But examination of the legislative context surrounding passage of the K–V Act in 1930 makes it clear that that phrase does not authorize expenditures on overhead costs. First, there were several other statutes in existence at that time that authorized Federal agencies to recover costs of providing activities either to their sister agencies or to outside parties. The Treasury Department and the Comptroller General had consistently held in a series of decisions extending from 1906 up through 1930 that those statutes did not authorize recovery of overhead costs, because overhead costs were already funded by the annual appropriations to the agencies. If Congress had meant for the K–V Act to be interpreted differently than those other cost-recovery statutes, it is reasonable to assume it would have done so.

Second, if you look at the appropriations laws in effect at the time of the K–V Act's enactment and for decades afterwards, there were specific line item appropriations for the general administration costs of the Forest Service, at both the national and the local level, and these appropriations specifically covered items like salaries, rents, utilities, and equipment, all of the costs that are now being funded by the K–V Act overhead allocation. In fact, as Mr. Stahl said, today the Forest Service receives a specific line item appropriation for general administration. Again, if Congress had meant to augment those annual appropriations through an allotment from the K–V Act, it is reasonable to expect it would have done so. In fact, early Forest Service application of the K–V Act confirms this point.

When the K–V Act was first adopted, the Forest Service did not allot any of that money to overhead expenses. It did not do that for over a decade until the 1940's when the growth of the K–V Fund had gotten so large that it provided basically an irresistible opportunity to the agency to help fund its burgeoning bureaucracy. You can also go back earlier to the predecessor of the K–V Act, the 1916 Brush Disposal Act, which authorized the Forest Service to charge timber purchasers a premium for the costs to the United States of removing brush and slash left from logging operations. And at the time that that act was adopted, the Forest Service specifically said it was not going to charge those funds for overhead because that money, the costs of overhead, were already appropriated by Congress. Over the past 70 years, their position has clearly changed, but that was the understanding when Congress adopted those laws.

The Forest Service has attempted to justify the allocation of overhead expenses to the K–V Fund by the necessary expense doctrine. I would just like to touch briefly on that. The necessary expense doctrine has three prongs. It requires that expenditure of moneys for that expense not be prohibited by any other law, not be provided for by any other law, and contribute directly to the achievement of the purpose of the fund from which the money is being taken. Expenditure of K–V funds on overhead does not meet any of those criteria. First of all, the K–V Act itself prohibits expenditure of the funds on overhead because it gives an exclusive list of the on-the-ground activities on which money can be spent. Second, overhead expenses, as we said, are provided for by the annual appropriations. Third, the types of expenses funded by the overhead allocation, the salaries of officials in the Washington, DC office, including the Chief Forester and deputy foresters, the salaries of regional foresters, the budgets of the public affairs and legislative affairs offices, and other similar expenditures, do not contribute at all to reforestation and post-logging restoration activities, let alone contribute directly.

Moving just briefly to the second part of the lawsuit, the K–V Act says specifically that K–V deposits are to be collected in addition to the payments for the timber. The reason Congress wrote the law that way is to ensure that returns to the U.S. Treasury from timber sales would not be reduced by collection of the reforestation and restoration funds. The Forest Service now does not collect K–V deposits in addition to the payments for the timber, rather it simply deducts that money from the payments for the timber, which has had a couple of adverse consequences. One, it manifestly has reduced returns to the Treasury from the timber receipts. Second, it has allowed the Forest Service to sell numerous timber sales for less than the full reforestation and post-logging restoration costs. So in some instances, they are collecting—the Forest Service is retaining in fact too much money; in other instances, it is not collecting enough money in the first place.

Finally, I would like to add that this is just a brief overview of the legal arguments underlying our claims regarding Forest Service management of the act. I would ask for leave to submit our briefs as a part of the record to have a complete set of the legal pleadings in the case, to accompany the Government's briefs.

Mr. HORN. Delighted to have that, and without objection this will be put in the record at this point.

[NOTE.—The information referred to is retained in subcommittee files.]

Mr. HORN. In your search for preparing those briefs, did you go through all of the annual hearings on appropriations of the Agriculture Committee for most of that period I would think, and to see if anybody brought up this overhead question with the Knutson-Vandenberg bill?

Mr. BERGER. We have not gone through all of the hearings underlying the appropriations act, in part because legislative history is very difficult to obtain from that period of time. We have looked at all the hearings underlying adoption of the principal acts, the K–V Act and the Brush Disposal Act preceding it. The legislative history and the hearings underlying the K–V Act were very brief, particularly with respect to this particular section of the K–V Act, which authorized timber purchaser deposits. There were two other sections of the K–V Act just dealing with appropriated funding for reforestation that received far more attention. In the 1930's, it was anticipated that the timber purchaser funded portion was going to be relatively small. There was no discussion of overhead at that time; however, as I said, in the hearings on the Brush Disposal Act which provided the model for the K–V Act, there was a brief discussion of overhead, at which the Forest Service stated that the funds would not be used for that purpose because they already received appropriations for that purpose.

Mr. HORN. Well, you might set a summer intern or something, whatever volunteer help you have, loose in the House Library. Hardly anybody knows the House has a library, but it does and it is pretty good on hearing records in this century. So you might take a look at it.

Mr. BERGER. We will do that, thank you.

Mr. HORN. Does that complete your statement?

Mr. BERGER. Yes, it does.

Mr. HORN. It was very helpful. I appreciate those citations there.

We now ask Mr. Alasdair Coyne, conservation director of Keep the Sespe Wild. Mr. Coyne, glad to have you here.

[The prepared statement of Mr. Berger follows:]

TESTIMONY OF ADAM BERGER, STAFF ATTORNEY
EARTHJUSTICE LEGAL DEFENSE FUND
Before the Subcommittee on Government Management,
Information, and Technology of the
House Committee on Government Reform and Oversight
Hearing on Forest Service Management Practices
July 7, 1998, in Bellflower, California

Mr. Chairman and members of the subcommittee, thank you for this opportunity.

The Earthjustice Legal Defense Fund represents the Forest Service Employees for Environmental Ethics (FSEEE) in three federal court lawsuits challenging Forest Service misuse of reforestation trust funds authorized under the Knutson-Vandenberg Act, 16 U.S.C. § 576b, for general overhead and administrative expenses. These lawsuits are pending in the federal district courts for the Northern District of California, the Eastern District of Tennessee, and the District of Minnesota, with argument and decision anticipated in the lead California case within the next couple of months.

These lawsuits concern primarily two issues: first, the unlawful use by the Forest Service of K-V funds for general administration and overhead; and second, the Forest Service's failure to collect K-V funds in addition to, rather than as part of, the payments for timber. The Forest Service has used these unlawful practices to sustain the agency's middle and upper-level bureaucracy at the expense of the long-term health and productivity of the forests and the public fisc.

Before addressing the lawfulness of the Forest Service practices, I would like to echo Mr. Stahl's comments regarding the recent adoption by the House Appropriations Committee of a rider authorizing the Forest Service to spend up to 25 percent of Knutson-Vandenberg (K-V) funds on overhead expenses. This legislation would divert needed money from on-the-ground reforestation and sale area cleanup, grant official imprimatur to an unlawful practice without full and careful consideration of the consequences for the forests and the taxpayers, and needlessly and prematurely interfere with orderly judicial review of Forest Service activities. I commend Chairman Horn for opposing this hasty and misguided response to an important public policy issue.

Unlawful Diversion of K-V Funds to Overhead

Congress adopted the K-V Act in 1930 to ensure the availability of funds for post-logging replanting and timber stand improvement in cut-over areas of the national forests. In 1976, Congress amended the law to add improvements to other sale area renewable resources, such as watersheds, recreation, and wildlife habitat, as authorized uses of the K-V funds. The K-V Act specifically enumerates the purposes on which K-V funds may be spent and requires that those monies be spent in the timber sale area from which they were collected. Diversion of these funds to overhead expenses in the regional and Washington, D.C. offices of the Forest Service, hundreds or thousands of miles away from the sale area, violates the plain language of the K-V Act.

Application of the K-V funds to general administrative expenses also violates the mutual understanding of the Forest Service and Congress when the K-V Act was adopted. The K-V Act was patterned on the 1916 Brush Disposal Act, which authorized the Forest Service to collect deposits from timber purchasers to pay the cost of disposing of brush and other debris after logging. See State of Alabama v. United States, 461 F.2d 1324, 1329 (Ct. Cl. 1972) (Brush Disposal Act and K-V Act should be construed *in pari materia*); see also R.Y. Stuart, Memorandum to accompany Report of S. 3531 (Feb. 26, 1930) (appended to S. Rep. No. 375 at 4, 71st Cong. 2d Sess. (1930)). During Congressional hearings on the Brush Disposal Act, Congressman Haugen asked whether the deposits collected would include overhead charges. Hearings on Agriculture Appropriation Bill H.R. 12717, 64th Cong., 1st Sess. 764 (1916). Mr. Greeley, the Assistant Forester of the Forest Service responded, "We do not think there will be any overhead charges. We have supervising officers on the job now." Id. Although no similar colloquy occurred during consideration of the K-V Act, it is worth noting that Congressman Haugen was the Chair of the House Committee on Agriculture when the K-V Act subsequently was enacted.

Mr. Greeley's response was perfectly consistent with the prevailing interpretation of other statutes authorizing cost-recovery by the government at that time. Throughout the first three decades of this century, the Department of the Treasury and the Comptroller General consistently interpreted an 1896 law authorizing agencies to recover the costs of selling surplus goods from the sale receipts to exclude general administration and all other costs not directly associated with the particular sale in question. The reasoning was that the agencies would

incur the costs of salaries, rent, equipment, and other expenses of general administration regardless of the sale. Therefore, no portion of the those expenses could lawfully be charged to the sale.

Similarly, in a long line of decisions extending through 1930, the Comptroller General held that laws authorizing one agency to recover the cost of work performed for another agency did not allow the performing agency to recover the salaries of the assigned personnel, let alone any overhead charges. Again, the reasoning was that the performing agency would incur those costs in any event and must pay them from its appropriated funds. It was not until Congress adopted the Economy Act in 1932 specifically to address this issue that agencies could recover the salaries of loaned-out employees, and it was not until 1942 that the Comptroller General decided that Congress intended to authorize recovery of directly related overhead expenses as well. Thus, the common understanding in 1930, when Congress enacted the K-V Act, was that cost recovery authorized recouping only of direct project costs.

This understanding is bolstered by review of the appropriations acts at the time of enactment of the Brush Disposal and K-V Acts. From at least the 1910s through 1950, the Forest Service appropriations bills consistently included separate line items for general administration expenses at the Washington, D.C. and forest (or regional) levels. Many of these acts also included specific appropriations for the salaries of all Forest Service personnel and the equipment and services now charged to overhead. There is absolutely no indication that Congress intended to authorize the Forest Service to augment these specific appropriations with additional monies from the K-V and brush disposal trust funds. Rather, it is clear that Congress merely approved recovery of the additional direct costs incurred by the agency in cleaning up after timber sales.

The Forest Service did not start interpreting the law differently until the 1940s, when growth in national forest timber sales greatly increased the pot of money potentially available to the agency under the K-V Act. In 1947, the Comptroller General ruled that use of K-V monies for overhead expenditures would unlawfully augment the agency's appropriated budget and would not be consistent with the authorized purposes of the K-V fund. However, the Comptroller General relented to agency pressure a few months later, after being informed that the Forest Service had already instituted the practice of charging a relatively small overhead rate against the K-V funds.

While the Comptroller General acquiesced in an overhead rate of about 8% in 1947, the Forest Service has consistently increased the percentage of K-V funds allocated to overhead over time. In fiscal year 1997, the agency diverted over 30% of all K-V monies to indirect costs. See GAO, Forest Service: Indirect Expenditures Charged to Five Funds, GAO/RCED-98-164R (May 1998). In the same year, the Forest Service applied an overhead rate of only 21.4% to the Reforestation Trust Fund, whose authorizing legislation - in contrast to the K-V Act - specifically allows expenditure on administrative costs. Id. The agency has offered no explanation for why K-V funds are assessed for overhead at a substantially higher rate than the Reforestation Trust Fund when the two funds finance virtually the same work. We can only speculate whether the explanation is related to the much greater size of the K-V fund, which is more than five times larger than the Reforestation Trust Fund. Id.

Finally, I would like to point out that today, as in 1930, Congress appropriates a specific amount of money to the Forest Service for general administration. After a thirty-year hiatus, Congress returned to this practice in the early 1980s specifically to regain control over runaway bureaucratic costs. By allocating an ever-increasing portion of K-V funds to overhead expenses, the Forest Service is not only violating the K-V Act, it is also disregarding Congressional direction, expressed through the appropriations process, to scale back the agency bureaucracy and focus on on-the-ground management.

Failure to Collect K-V Deposits in Addition to the Payments for Timber

The K-V Act requires the Forest Service to collect K-V deposits from timber purchasers "in addition to the payments for the timber." 16 U.S.C. § 576b. For the first 25 years of the Act's existence, this is precisely what the Forest Service did. Since the 1950s, however, the agency has simply deducted K-V funds from the payments for the timber. More to the point, the agency has mastered the art of expanding K-V collections to recover the lion's share of proceeds from national forest timber sales. For example, in fiscal year 1996, the Forest Service allocated $153 million in timber receipts to the K-V fund, while returning only $46 million to the national treasury. Fiscal Year 1998 Forest Service Budget Notes. The result has been a direct violation of Congressional intent that collections under the K-V Act not reduce returns to the treasury from Forest Service timber sales.

This change in practice has caused a fundamental change in attitude among agency staff with respect to the K-V trust funds. In 1933, the Forest Service Manual stated that K-V deposits would be required from timber purchasers "only ... [w]here the receipts from the sale will not be reduced..." Forest Service Manual 131-S (1929 as amended). By contrast, internal Forest Service audits in the 1980s found that agency staff viewed K-V funds as "our money" and deliberately kept timber sales open after completion in order to shift more money to the K-V fund to pay agency salaries and other expenses. See WO Activity Review of Region 5 K-V & Salvage Sale Fund Programs (10/24-10/30/94). Agency managers and staff view timber receipts that are not captured by the K-V fund as "wasted." It is unlikely that the taxpayers who are being shortchanged would agree.

Enforcing the K-V Act's plain requirement to collect reforestation and sale area improvement funds "in addition to the payments for the timber" will have several salutary effects. In many cases, it will ensure that adequate funds are collected to pay for the full costs of replanting and other renewable resource mitigation necessitated by a timber sale. In other cases, it will improve agency accountability, by requiring the forests to disclose when the proceeds from a timber sale will not cover the full costs of restoring the forest stand and repairing the environmental damage caused by the sale. It will also help ensure a fair return to the national treasury, by preventing the agency's current practice of siphoning off timber receipts to support its bloated bureaucracy. Finally, it will increase overall receipts from timber sales in the many cases where bidders are able to purchase the sale for base rates that do not include the full costs of timber stand improvement and other renewable resource improvements.

Conclusion

The K-V Act is clear on its face. K-V deposits must be used for on-the-ground reforestation and renewable resource protection. The K-V trust fund may not be burdened with the cost of supporting the Forest Service bureaucracy and may not be used to bolster the agency's budget by reducing returns to the national treasury. We are confident that pending judicial review of the agency's practices will confirm these simple precepts and will restore agency conformance to longstanding Congressional intent.

Mr. COYNE. Mr. Chairman, it is my honor to appear before you to discuss the Forest Service's Recreation Fee Demonstration Program, specifically as it is being implemented in southern California, under the name of the Adventure Pass.

I must stress that this program has outraged a majority of southern California forest users. Car campers may be happy to pay a new fee to use forest campground facilities where maintenance and trash collection costs are high. But beyond that, forest users are incensed at having to pay a fee to park before walking off down a trail or going for a swim in a creek. Hunters and fishermen are enraged at having to pay a fee on top of their already onerous license costs. What upsets forest users is the very principle of paying a fee to go for a walk in the woods. It is startlingly clear to us that the Adventure Pass fees are a new tax and that forest facilities ought to be maintained without charging the public again for lands we already own, to pay for services we already pay taxes for.

The Forest Service sold the Adventure Pass program to many forest users by promising that the fee program allows 80 percent of the new fees to go into the recreation maintenance budget of the forest where collected. But what they did not clarify and what the Forest Service continues to avoid addressing is that the new enforcement staff hired to check out our vehicle windshields for an Adventure Pass, are paid directly out of the fees collected. Forest meter maids, as they are now widely known, are not making a significant difference to the recreation and maintenance backlog in southern California forests. Agreed, they pick up some trash and perform some maintenance work, but the Adventure Pass program was surely marketed and intended to make much more of a difference to the forest facilities than picking up trash and handing out parking tickets.

The Forest Service position has been to state over and over again that the majority of forest users are happy with the fee program. But they are only referring to those forest users who have filled in comment cards, who have bought passes. Those views do not and cannot represent the sentiments of the majority of forest users who continue to boycott the program. In 1997, around 10,000 southern Californians received fix-it tickets for not displaying an Adventure Pass when parked in the forest. Around half have continued to refuse to pay those $5 tickets.

It is the financial picture which brings the entire Adventure Pass program into clear focus. For fiscal year 1998, the program's second season, approved staffing and supply costs total $1,200,000. Staff must be paid every 2 weeks so this overhead must come before any forest facility projects can be tackled. For fiscal year 1998, the Adventure Pass program's own figures show that only $194,000 will go to the repair of forest facilities. That means that $6 goes to staffing for every $1 that goes to address the forest maintenance backlog. Trash pickup, of course, is not part of the forest maintenance backlog. That this $194,000 is only a little over half of what was made available for forest facilities in fiscal year 1997 indicates that the program's startup costs were used to make a visible difference at the outset in order to impress the public, and that the program is simply failing to meet any reasonable goals.

When forest users pay $30 for an annual pass, $3 goes to the vendor of that pass. That leaves $27 for the Forest Service, 80 percent of which was promised for the recreation maintenance budget of the forest where collected. Eighty percent of that $27 is $21.50. By the Forest Service's own 1998 figures, $3 of this will go to forest facilities, the other $18.50 to Adventure Pass staffing costs; $3 out of the price of a $30 pass is abysmally short of what the public was led to believe would be available for forest facilities from this program. As a job creation program, that might be OK, but how could even a job creation program be judged successful when it has driven so many forest users to boycott their favorite recreation areas?

The Forest Service's nationwide maintenance backlog is running at $1 billion. The Adventure Pass and other similar forest programs would have to raise $10 billion in order to put $1 billion into our national forest facilities. The other $9 billion would be needed to cover the programs' staffing and overheads. No, the obvious need is for Congress to increase the Forest Service recreation budget. An increase of $100 million a year—those budgets are now around $200 million a year—would erase the Forest Service's maintenance backlog in 10 years.

The Adventure Pass program and others like it will never erase this backlog. Forest Service projections from their January 1998 progress report to Congress on the fee program estimates that fee revenues for 1998 will be $3.8 million for facilities. Even if these dollars were to all go to forest recreation facilities, it would take 250 years for the entire backlog of $1 billion to be addressed. At the level of facility funding demonstrated by the 1998 Adventure Pass program, this backlog will take 2,500 years to disappear.

The Forest Service has no idea how many visitors national forests have. They do not have staff entry kiosks, they do not put manpower into counting visitors. Their visitation numbers are guesses and estimates and they openly confess to include people who are simply driving through a forest to go from A to B. By Forest Service estimates, 10 million visitors visit Los Padres, where I come from, each year. By simply doing some mathematics and dividing 10 million visitors by the number of Adventure Passes sold, we can see that only 1 in 85 people have bought an Adventure Pass.

While we applaud the Forest Service for finally acknowledging the overall need for public dialog on forest user fees, Congress should encourage the Forest Service to begin a truly public dialog in every ranger district, one that frankly ought to have preceded this ambitious, yet ill-thought out program.

When Congress set aside these lands, it was to conserve them for their own sake as well as for our use now and in the future. When we start auctioning them off to the highest bidder and making them a product to be marketed with help from Disney and REI, then we are abandoning the very idea of a public trust. The Adventure Pass and other such programs, with their clear purpose of commercializing our public lands, must be scrapped. The only acceptable aspect of the program is that fees from the overnight use of developed campgrounds may be put to work at those same facilities.

We must be wary of what happens when we convert the Forest Service to meter maids, they are no longer serving the forest. The Forest Service is not here to market a product; they must be allowed to return to their traditional function as stewards of our national forests.

I thank you graciously for the time you are spending seeking to understand the will of the American people.

Mr. HORN. Well, we thank you for your helpful statement.

Our last presenter is Mr. Vaughan Clark, Free our Forests.

[The prepared statement of Mr. Coyne follows:]

Testimony to the Subcommittee on Government Management, Information and Technology of the House Committee on Government Reform and Oversight.
Oversight Hearing on the US Forest Service's Management Practices, specifically with reference to the US Forest Service's Recreational Fee Demonstration Program,
Tuesday, July 07, 1998 at Bellflower City Hall, California.

by Alasdair Coyne, Keep the Sespe Wild Committee, Ojai, CA.

Mr. Chairman and members of the Subcommittee,

It is my honor to appear before you this morning to discuss the US Forest Service's Recreational Fee Demonstration Program, specifically as it is being implemented and managed here in Southern California, under the name of the Adventure Pass program.

Firstly, I must stress that this program has outraged a majority of Southern California Forest users. Car campers may be happy to pay a new fee to use Forest campground facilities, where maintenance and trash collection costs are high. But beyond that, Forest users are incensed at having to pay a fee to park, before walking off down a trail or going for a swim in a creek. Hunters and fisherman are enraged at having to pay a fee on top of their already onerous license costs. What upsets Forest users is the very principle of paying a fee to go for a walk in the woods. It is startlingly clear to us that the Adventure Pass fees are a new tax and that Forest facilities ought to be maintained without charging the public again for lands we already own, to pay for services we already pay taxes for.

The Forest Service sold the Adventure Pass program to many Forest users by promising that the Fee Demonstration Program "allows 80% of the new fees collected between 1996 and 1998 to go into the recreation maintenance budget of the National Forest where collected." (US Forest Service Nationwide News Release, Washington DC, June 26, 1996). What they did not clarify - and what the Forest Service continues to avoid addressing - is that the new enforcement staff hired to check our vehicle windshields for an Adventure Pass are paid directly out of the fees collected. Forest metermaids, as they are now widely known, are not making a significant difference to the recreation maintenance backlog in Southern California. Agreed, they pick up some trash and perform some maintenance work, but, the Adventure Pass program was marketed and intended to make more of a difference to the Forests' facilities than picking up trash and handing out parking tickets.

The Forest Service position has been to state, over and over again, that the majority of Forest users are happy with the program. But they are only referring to those Forest users who have filled in comment cards. Those views do not represent the sentiments of the majority of Forest users who continue to boycott the program. In 1997, around 10,000 Southern Californians received fix-it tickets for not displaying an Adventure Pass when parked in the Forest. Around half refused to pay their $5 tickets.

It is the financial picture which brings the entire Adventure Pass program into clear focus. For FY 98, the program's second season, staffing and supply costs total $1,200,000. Staff must be paid each two weeks, so this overhead must come before any Forest facility projects can be tackled. For FY 98, the Adventure Pass program's own figures show that only $194,000 will go to the repair of Forest facilities. That means that $6 goes to staffing for every $1 that goes to address the Forests' maintenance backlog. (Trash pickup, of course, is not part of the Forests' maintenance backlog.) That this $194,000 is only a little over half of what was made available for Forest facilities in FY 97, indicates that program

startup costs were used to make a visible difference at the outset, in order to impress the public, and that the program is simply failing to meet any reasonable goals.

When Forest users pay $30 for an annual Adventure Pass, $3 goes to the vendor of the Pass. That leaves $27 for the Forest Service, 80% of which was promised for the recreation maintenance needs of the Forest where collected. 80% of the $27 is $21.50. By the Forest Service's own 1998 figures, $3 of this will go to Forest facilities, the other $18.50 to Adventure Pass staffing costs.

$3 out of the price of a $30 Pass is abysmally short of what the public was led to believe would be available for Forest facilities from this program. As a job creation program, that might be OK. But how could even a job creation program be judged successful when it has driven so many Forest users to boycott their favorite recreation areas?

The Forest Service's nationwide maintenance backlog is running at $1 billion. The Adventure Pass and other similar Forest programs would have to raise $10 billion in order to put $1 billion into our Nation's Forest facilities. The other $9 billion would be needed to cover the program staffing and overheads. No, the obvious need is for Congress to increase the Forest Service's recreation budget. An increase of $100 million a year - those budgets are now around $200 million per annum - would erase the Forest Service's maintenance backlog in 10 years.

The Adventure Pass program, and others like it, will never erase the backlog. Forest Service projections from their Jan. 1998 Progress Report to Congress on the Fee Program estimate that fee revenues for 1998 will be $3.8 million. Even were these dollars <u>all</u> to go to Forest recreation facilities, it would take 250 years for the entire backlog to be addressed. At the level of facility funding demonstrated by the 1998 Adventure Pass program, this backlog will take 2500 years to disappear.

When Congress set aside these lands, it was to conserve them for their own sake, as well as for our use, now and in the future. When we start auctioning them off to the highest bidder and making them a product to be marketed, with help from Disney and REI, then we are abandoning the very idea of a public trust. The Adventure Pass and other such programs, with their clear purpose of commercializing our public lands, must be scrapped. The only acceptable aspect of the program is that fees from the overnight use of developed campgrounds may be put to work at those same facilities.

We must be wary of what happens when we convert the Forest Service to metermaids - they are no longer serving the Forest. The Forest Service is not here to market a product; they must be allowed to return to their traditional function as stewards of our National Forests. I thank you graciously for the time you are spending in seeking to understand the will of the American people.

Mr. CLARK. Thank you. Well, I have to say that I am much more at home in my office at home.

Mr. HORN. Excuse me. Is there a written statement you have also prepared?

Mr. CLARK. Yes, I have.

Mr. HORN. I do not happen to have a copy.

Mr. CLARK. I am much more at home in my office at home, I am not a public speaker, nor am I usually involved——

Mr. HORN. That is when I start watching my wallet. [Laughter.] I am looking forward to great rhetoric out of you.

Mr. CLARK. But I have been—I am a freelance writer and suddenly along the roads, I started seeing these signs for the demonstration fee project, and decided to look into it. When I called, I was informed that the Forest Service was suffering what the man on the phone said was a catastrophic one-third budget cut, which forced them to initiate this program.

Well, I understand that when people are desperate, they do desperate things. Evidently the Forest Service is in a crisis and this is the result of that. I decided that I did not like this, and so in looking more into it, I found that what is actually happening here is that they are trying to privatize the forest and develop it further. What the Forest Service is doing is giving away our national forests to corporations for development. In a nutshell that is what is happening. You can read my testimony here to corroborate that.

Mr. HORN. I am looking at you with one eye and looking at your statement with one eye.

Mr. CLARK. Well, I can read a few points here that I would just like to read right off my testimony, and that is, interestingly enough, the Forest Service is prohibited by law from soliciting outside funding from private industry. To circumvent this, Congress created the National Forest Foundation [NFF], which I heard mentioned here earlier, to do for the Forest Service what it cannot do legally, which is attract corporate sponsors and form legal partnerships with private business to accomplish mutual projects deemed desirable by them, but them alone. They do not have to consult the public, and that is my beef.

In this case, the Forest Service budget and agenda are accommodated, big business is provided with a profitable future developing our national forests for recreation, and we, the American people, are paying twice—in our taxes and then with a fee.

Another thing I would like to point out here. There was an interesting, what I saw as a very dubious association in attitude that has evidently found its way into the Forest Service through the person of Francis Hadalphe, and I am sorry, I did misspell his name here, but he is the No. 2 U.S. Forest Service official who arrived in his position in 1997 after 30 years in the private sector, which was again mentioned. But I want you to know that Mr. Hadalphe was a former chairman of the Recreation Roundtable. The Recreation Roundtable is basically a gathering of the country's prominent recreation company executives, to decide strategy, I assume. Furthermore, Derrick Crandall, the current ARC, the American Recreation Coalition, president is also the current Recreation Roundtable executive vice president. So I find that a telling fact, as I wrote here, it seems very cozy to me that these two individuals

are so deeply placed in decisionmaking in the Forest Service, and specifically for this demonstration fee program.

I wanted to point out too that the ARC is a Washington lobbyist consortium and in fact designed and implemented this fee demonstration program. They are the—it is their brainchild, OK? With the help of the Forest Service, they created this and in turn these ARC corporate members are awarded the rights to develop and operate recreational facilities on our public lands. Although this public/private partnership is not unprecedented, here the concept is expanded and emphasizes commercial and motor-based recreation. That is commercial and motor-based recreation. In other words, they are going to develop it. It also includes big future profits for these corporate members in this ARC.

So I think the big point here also is that not only do they potentially benefit from this association or coming up with this program, the ARC is, along with the Forest Service, to evaluate and report public support and relay that data directly to Congress. I find this clearly a conflict of interest. I mean they are obviously going to skew the information to suit their needs, as far as I can see—or I suspect that. That is the way I feel about it.

So like I said, in researching this for my own articles, I came to decide that I will oppose it, because the entire program promotes over-regulation in wild places, it encourages private enterprise in our public forests and charges a user fee for the things that our taxes once paid for. And I ask, where does the 30 percent of my annual income go? Of every American in this room, where does that 30 percent go, and why does the Forest Service not utilize those revenues to support their maintenance without a fee or to eliminate it.

So let me just say this, I wholly support the original vision of the Forest Service as caretakers of our national forests, but not as developers of it. This recreation fee is the act of a Government agency in crisis, I think. That is what I have come to find out. So I am asking you to pass the word, to help them.

I just see two solutions. No. 1, you can increase the Forest Service recreation budget to at least begin to tackle that maintenance backlog; or No. 2, you can keep the present budget and adjust the need for maintenance by terminating personnel and services such as roads, patrols, campgrounds, and other USFS facilities until the budget is balanced. It is that simple.

All this talk that I have heard here about well, all the people want to make sure that we have more toilets and more information boards. I disagree with that. I see that as a—I want to see our forests kept wild, if it means paying more and developing our forests as a result.

Also, I wanted to mention that while long-standing government subsidies to mining, timber, and cattle industries continue, taxpaying Americans are being scammed. I feel this is really just a scam to pay more for something they already own, as I said, but when officials justify this user fee by saying people who actually use the forest should pay a little more, I just say no. I mean, I refuse. There are many things that our taxes pay for that I will never see. I cannot even imagine what they would be, but yet, I put

faith in our Government to spend our money wisely—well, in this case, they obviously have not.

I just feel that sooner or later a point is reached where taxation in any form—in this case a fee—transgresses a person's right to keep what they earn. I think it is doubly bad that as a result of this program, private corporations can profit.

If you really want to help the Forest Service, I say this: stop developing public forests for recreation and start developing the public mind. Tell them—educate them through television, through radio, through various media, spend money this way to say this—tell them about overpopulation, tell them how to control overpopulation, tell them how to—what it means to preserve your lands and not trash them, as is the problem here I guess. Tell them about unchecked immigration or overdevelopment and how to take control of their mismanaged Federal taxes—tell them that. Maybe you can get them to understand. You know, maybe we can do more good that way than developing our national forests further.

In closing here, I will just say that the numerous road signs advertising this Forest Service Recreation Fee Demonstration Program are themselves an eyesore. There are so many of them along this road, any of the roads I go to, they are a blight on the landscape.

Mr. HORN. Which road is that?

Mr. CLARK. Well, in my experience, it is on most of the roads in the Los Padres National Forest. Paradise Road is a big one, if you are familiar with that one—Paradise Road, the road to Pine Mountain, Painted Cave Road has a sign, San Marcos Pass Road has signs. Mt. Pinos, I understand, although I have not seen it, has 17—a numerous quantity of signs on one road going up from the base of this mountain, this sacred mountain, to its summit. They have virtually littered the place with signs in trying to advertise this program.

I find, more than anything—and I am going to read this right off the bat here—more than anything, these signs mirror our inability to curb our insatiable appetite to achieve our identity through subduing nature and adapting every place on Earth to human needs. Money and manifest destiny still to this very day seems to be our high moral calling. All we are about is building more, making better roads, pulling more timber out but yet being nice to the Earth and not taking too much, making it sustainable. But I feel so strongly about this, I disagree so strongly and feel so totally against this program, that I advocate civil disobedience in the form of noncompliance until the program is either canceled or I am allowed—and I want you to understand—until I am allowed to vote on it. If I am allowed to vote on it, then the majority of the people have taken it in hand, they have been asked. But until that time, I will do everything I can to trip up this program. I urge you to please take action too and at least convey my feelings to the higher ups, as I was told.

I would like to add this, speaking of that—I am kind of backtracking here—I have spoken to a number of Forest Service employees who actually enforce this program. They are actually down there writing tickets, picking up trash, whatever, and some other patrols there, actually the police, they are police type enforcement

patrol back there. I asked them and none of them that I spoke to—they have to remain anonymous—none of them liked the program. This is the rank and file I say, this is rank and file people. Yet they are afraid to speak out because of self-interest. They are afraid that if they say anything, well, I think it was mentioned before, they are afraid for their jobs.

I think the actual Forest Service feels the same way. I mean, this program is in their self-interest to maintain and they are afraid to not enforce it, even though it is against their better judgment to just go ahead and scrap it. Yet they are on a steamroller now. You know, in talking with these people, they kept telling me to talk to the higher-ups and so here I am.

Mr. HORN. We are glad to have you here.

Mr. CLARK. I might add that I had very little time to prepare this, I had less than a week. As I said, I am very much more comfortable in an office, I feel powerfully about this, and I am the face of resistance.

Mr. HORN. Well, we thank you for coming down here. I take it you live in Santa Barbara?

Mr. CLARK. I grew up in Torrance, Redondo Beach.

Mr. HORN. You might want to write Mrs. Capps, your Representative, a letter.

Mr. CLARK. I have. I have written Mrs. Capps, all my Representatives, Barbara Boxer——

Mr. HORN. Well, I just learned of the fee about 2 weeks ago when a friend of mine was rather upset in terms of the Idlewild case.

Mr. CLARK. I am not getting subsidized to come here.

Mr. HORN. Yeah.

Mr. CLARK. This is my own time and I am not making any money here.

Mr. HORN. So we thank you all for coming.

Before we leave, I want to ask both the GAO and the Forest Service if there is any comments they would like to make based on the suggestions and presentation of our eight people on panel two. If there is anything you would like to say, let me know, and you are welcome to say it.

And after this, we are going to have sort of an open mic for about 2 minutes. I see a few people here that would like to say something. We do that, we like to get ideas in the record.

Let me ask you a few questions, gentlemen, before you leave here, because I want to follow up on a few things that were said around the table.

Mr. O'Toole, needless to say, I found your testimony intriguing and let us talk about fees. I agree that you have to look at incentives. How would we responsibly handle pure public good such as wildlife habitats and watershed protection?

Mr. O'TOOLE. Well, that is where the Biodiversity Trust Fund and the Historic and Prehistoric Resources Trust Funds that I mentioned come in. I would say if you are funding the forests out of their profits, that leaves some money left over. Some of that money can go to the counties, some of the money can go to the U.S. Treasury, but let us take some of the money and put it in a trust fund for biodiversity. Put biologists, conservation biologists, ecologists, in charge of that money and let them pay the forest man-

agers again to do things like selection cut instead of clear cut or buy trees and not cut them down, or pay bounties to landowners or land managers who are producing viable populations of endangered species. In other words, use the money as a tool to give people incentives to do the right thing for the pure public good. When it comes down to it, there are really not that many pure public goods out there. I think I have mentioned some, the historic and prehistoric resources and the biological diversity resources.

Recreation is not a public good, water is not a public good. Wildlife, other than endangered species, are not a public good. Most of the other resources are definitely not public goods.

Mr. HORN. Well, I thank you. I would like to ask first the panelists, did you hear anything any of your colleagues said that bothered you or you would like to add to? Sometimes we get here and have our own thoughts and then we hear a new idea and we sort of think gee, that is an interesting point. I would like to join it, or I think it is the worst idea I have ever heard of, either of those or anywhere in between. So I am just curious if any of you would like to comment on what anybody else said. Mr. Roddy.

Mr. RODDY. Yes, thank you. I have a book called Forest Resources of the United States and there are a lot of statistics out there and a lot of claims being made about whether we are neglecting our national forests, whether we are fighting fires too much, how many board feet assets are there. I would like to quote from Government statistics showing the volume of—I think it is called softwood saw timber.

Mr. HORN. Softwood what?

Mr. RODDY. Softwood saw timber volume in the Pacific Northwest region. In 1950, there was 890 billion board feet——

Mr. HORN. Million or billion?

Mr. RODDY. Billion. In 1992, it was 670 billion board feet. Of the trees that are 29 inches plus in diameter, in 1952, there was 454 billion board feet, in 1992, there were 207 billion board feet. Obviously these are just numbers, but I think they tell a tale of horrible ecosystem destruction, and this is really what we need to address.

Mr. HORN. Any other thoughts over here?

[No response.]

Mr. HORN. OK, let me go through a few more things here, just to get my own clarification. Mr. Roddy, you also noted that subsidies, both in this country and in Canada, distorted the market for housing materials. In your testimony, you estimated the gross amount of the subsidy at $691 million in operations and unquantifiable subsidies in the form of environmental damage. Have you ever estimated the unit subsidy? In other words, the per board foot subsidy that would affect the competitiveness of your products?

Mr. RODDY. The only one, to my knowledge, who has ever done a comprehensive study on that issue is Michael Mascall, the former World Bank economist who did so for the province of British Columbia. He estimated in Canadian dollars the subsidy figure at $2 billion annually, which included the fact that also in the other provinces that you can get trees for a penny apiece.

Mr. HORN. That was just the Canadian portion was $2 billion?

Mr. RODDY. Right, but not Canada, only in British Columbia.

Mr. HORN. Only in British Columbia.

Mr. RODDY. Right. He believes that American subsidies are comparable and that has been borne out by the status of the U.S./Canada arguments over tariffs and trade in lumber products. But I have not done the arithmetic to quantify that in terms of the cost of a 2 by 4.

Mr. HORN. Mr. Corcoran, let us see here, if I remember, I think it was the Press Telegram on Saturday quoted you liberally on recreation fees in the Angeles National Forest and you said Sierra Club members were generally opposed to the fees. Has the club taken an official position on these fees?

Mr. CORCORAN. The National Sierra Club has not. It has decided to wait and see what the 3-year project looks like. Though I would say there is strong sentiment that there be no premature rush to a permanent program. The local chapter of the Sierra Club, the Angeles Chapter, has taken a position recommending that National oppose the recreation fee program; one, because of the fears of a gradual privatization of public land and an overdevelopment, that this could become another cash cow for developing wild lands, and also because of the issue of continued subsidization of other commodity uses of the forests.

Mr. HORN. Some of you have covered this next question and let me just see where you are on it. For opponents of recreation fees, if not from fees, where should additional revenue for forest amenities come from, given the importance in Washington of balancing the budget? Just go down the line? Do you think Congress should just simply put up the money or should the fees stay, or what?

Mr. O'TOOLE. Well, obviously I am a strong supporter of as many recreation fees as we can get. If recreationists—the Forest Service in 1990 estimated that recreationists, if they were asked to pay fair market value would be willing to pay $6 billion a year to use the national forests. That is more than four times what timber companies, mining companies and ranchers pay for extracting resources from the national forests. Now the Forest Service always over-estimates numbers like that, so we have to take them with a grain of salt. But still, recreationists do like to use the national forests, I think most of them are willing to pay, most of them agree that their recreation experiences are valuable. It is always hard though to get somebody to pay for something that has been free.

If milk had been free and we started paying for it, people would resist it. On the other hand, if the government decreed that milk would have to be free from now on, in a week, you would not be able to find milk in the grocery store because the grocers would put something else on the shelves that would make them money. And that is what we were seeing in our national forests, recreation did not make money for the Forest Service, so the Forest Service was clear cutting all the recreation sites. If we want to have free recreation, we can have it, but it is going to be poor quality and there will not be very much of it. If we want quality recreation, we have to be willing to pay for it, and the more the better. The more we pay, the better the recreation we will get.

Mr. HORN. Any other thoughts on this? Mr. Stahl.

Mr. STAHL. There is an axiom that people like to use in regard to industrial polluters and that is polluters should pay. I think that

almost anybody would agree that if a mill discharges pollutants into the water, that they should pay the costs of cleaning that up. Anybody who is a recreationist who does not think that recreation pollutes is naive. Recreation imposes an environmental cost and the question is who should pay the clean up costs, the mitigation costs, the stewardship costs of accommodating the millions of recreationists who use our national forests. Should it be all of us or should it be the people who recreate? I think most people would say that the equitable solution is it should be the people who pollute. They should be the ones who pay.

Mr. HORN. Mr. Roddy.

Mr. RODDY. I think there are strong arguments on both sides. I have not thought the issue through or formed an opinion. I will go to the next speaker.

Mr. HORN. Mr. Hofmann.

Mr. HOFMANN. Well, I think your question is to the heart. We all want less government, but we do not want to relinquish any of our services. I think the statement was made earlier that the Forest Service can and ought to be self-sustaining, self-supporting and if they can blend those resources together, I think that they probably can pay for one another.

Mr. HORN. First over here, Mr. Corcoran, how do you feel on this, same as your club?

Mr. CORCORAN. Well, I am a staff member of the Sierra Club, so I am here to speak on behalf of the members of the Sierra Club. As I say, the National Sierra Club, which would be the entity to take a final position on a Federal issue, has taken the position of monitoring, to see how the moneys are spent, what is collected, what are the impacts on the forest, before going forward with a decision. I would say that we have exactly these same debates among our national committees about recreation fees. It is an ongoing dialog. Though there are fears—may I just continue—about accessibility to the land, that a proliferation of fees could be burdensome. Especially in the northwest, we have seen some examples where you have to have to pay multiple fees to undertake one trip. Problems like that should be ironed out.

Mr. HORN. Mr. Berger.

Mr. BERGER. No comment.

Mr. HORN. No comment. Mr. Berger takes the Roddy position here. OK, and we have Mr. Coyne.

Mr. COYNE. Keep Sespe Wild takes the position that the use of overnight campgrounds is something for which people are happy to pay, because they understand that there are costs associated with keeping the toilets clean, the trash picked up, et cetera. People are objecting to the idea of parking beside the road and going for a walk and people believing that the government should be looking after those lands for their use. That is the sentiment that we have found over and over again from every user group—hunters, fishermen, mountain bikers, swimmers, backpackers, et cetera. I think that the Forest Service, by not asking for the public's opinion, is severely neglecting the positions of those that do not feel a fee is appropriate. If I can read three lines here, this is from the Forest Service's Progress Report to Congress in January 1998 and it is

based on a study that was done before the fee demo was implemented here in southern California. It says,

Approximately 30 percent of the participants of the study thought there should be no daily fee at all, while half felt a fee ranging from one to five dollars was reasonable. A majority opposed the fee pilot program that was proposed for the Enterprise Forest.

That is our area.

Their opposition was based, not on a specific fee proposed, but on a general belief that government cannot be trusted to implement the program fairly.

Thank you, sir.

Mr. HORN. Well, thank you, and we know where Mr. Clark stands on this.

Mr. CLARK. Well, I would just reiterate that I really demand to at least be able to vote or have a voice personally on this as an American citizen. I say to adjust any budgets, although there is an impact from recreation, I suggest that the Forest Service adjust access to accommodate the budget. In other words, if there is not enough budget to maintain all the facilities, cut back on the facilities until such time as there is a balanced budget. It is just that simple, close that restroom, close that road, make people get out of their cars and walk. Make them experience nature directly and not through their windshields. Furthermore, I would say that if we are going to address this problem, we have to address over population and over development, just in general, as general concepts to be brought to the attention of the public so they are made aware and they can understand what they have to do to solve this problem other than further development. You know, what we are doing is citifying our forests, we are turning them into cities. We are taking the city right out of the city and putting it up on the mountain. I do not like that.

Mr. HORN. I take it you would make exceptions for disabled people who cannot walk through a forest?

Mr. CLARK. Disabled people, I like black people too, you know, but disabled people unfortunately have limitations and unless—you know, I have heard people say they want to build a cable car to the top of Half Dome so disabled people can be accommodated. Well, that is out of the question, I would think. That makes my point.

Mr. HORN. Well, I have not heard that one, but I take it you have.

Mr. CLARK. No, that was just right off the cuff. I have not heard that per se, but that makes the point.

Mr. HORN. I would not think so. Most rational people would not want to do that.

Mr. CLARK. Well, in other words, there has to be a limit to what you develop for the purpose of accommodating disabled people, although, you know, everyone knows—everyone feels great sympathy for them, I am sure, every rational person.

Mr. HORN. To close out this, I am going to start with Mr. O'Toole, he started it and we will close with Mr. O'Toole.

I am curious, could you give us a little description of your second century report and the recommendations?

Mr. O'TOOLE. Well, I am glad you asked that question. Do you have a copy?

Mr. HORN. I do not have a copy.

Mr. O'TOOLE. Well, here it is.

Mr. HORN. How long is it?

Mr. O'TOOLE. The actual report is only about 20 pages and the appendices bring it out to about 50 pages.

For the last year and a half, a group of environmentalists, timber industry representatives and Forest Service officials have been meeting to talk about the future of the Forest Service. They agreed that most of the problems of the Forest Service are attributable to budgetary misincentives and governance problems, the outdated governance structure that people have talked about this morning. While there are other problems, they decided to focus on those types of problems and they have proposed to test significant reforms of the budgeting and governance structures on 10 national forests, 5 different tests, 5 different major reforms on 2 forests each.

This is a draft report. We are asking for public comment now. The group will meet again in August and write a final report and I suspect that they are going to change some of these pilot tests a little bit and some of them they might change dramatically, they might even discard one or two and add some new ones based on the comments that we have received. The group will then go to Congress and to the administration and say let us begin these tests at the beginning of fiscal year 2000, that is October 1999, try the tests for 5 years and then at the end of the 5 years evaluate and see what we have learned, and maybe if we try enough different ideas, we will be able to figure out which ideas or which combination of ideas should be used, applied to the Forest Service as a whole, and reform the Forest Service in time to begin its second century in the year 2005.

Mr. HORN. Well, I thank you. Now we have one remaining thing to do. This panel will be excused.

I need to know first, how many would like to speak into that microphone for at least 1 minute? That is going to be it, because the staff has to leave and I have to leave. So if you will line up back of that microphone, we will be glad to hear you for 1 minute. You can file any remarks you have and we will insert them as if read. So what have we got there. Matt, how many people are there, I cannot see. Let us make sure everybody is there because I want to divide the time equally. We are going to have to close this out at 2:30.

The CLERK. Eight so far.

Mr. HORN. OK, is that it? Because it is going to stop there with the eighth person there, so if anybody else wants to get into it, get into it now. All right. We will give you a minute and a half, is what you are going to get. We have to get out of here, they have to run for planes to the State of Washington. But let us hear name and city, so the reporter of debates can do it, and we are not going to swear you in. I swore them in yesterday, but—all right, we will swear you all in, just raise your hands and affirm.

[Witnesses sworn.]

Mr. HORN. And I take it all here are agreeing. If you do not, do not testify because we take things under oath. So let us begin, sir.

Mr. CZYMANSKE. Could I just ask a question of procedure? I just heard about this hearing 3 or 4 days ago, before the holiday weekend. Are you going to leave the hearing record open?

Mr. HORN. Sure.

Mr. CZYMANSKE. For how long, 10 days, 20 days, what is it?

Mr. HORN. Let us say 3 weeks.

Mr. CZYMANSKE. OK, thank you very much.

Mr. HORN. Send us a letter and we will be glad to insert it in the hearing record.

STATEMENTS OF DAVID CZYMANSKE; RALPH CONSTANTINE; HELEN LARSON; HEIDI MAUER; ANN CANTRELL; BEA MORROW; JACK MORROW; NED BOYER; AND ALAN ARONSON

Mr. CZYMANSKE. My name is David Czymanske, I am from South Pasadena, CA, I am an environmental and government relations consultant. I also happen to be a member of the Sierra Club and currently chair of the Pasadena Group of the Sierra Club, although I am speaking as an individual this afternoon.

Comments on the Recreation Fee Demonstration Program—Representative Horn, your opening statement, you indicated that NPS and Forest Service have extensive needs that cannot continue to be adequately met through annual appropriations. I would suggest that that is an open question. The last 3 or 4 years of Congress has not appropriated the money, but Congress could, in fact, appropriate the money if it so chose.

I would like to comment on Mr. Stewart's notation that the recreation budget for the whole Forest Service was $217 million. Hopefully, he said the Recreation Fee Demonstration Program could maybe produce $20 million this year. That would only be about 10 percent of the total budget. As I understand the Forest Service budget had been cut 30 percent or more in the last few years so the recreation fee program cannot solve the problems of the budget.

He also indicated some people very much dislike paying but as people become aware, they adjust to paying the fee. It is kind of like, you know, the story of the frog. If you increase the temperature on the frog slowly, the frog does not jump out of the hot pot.

In Canada, they had a parks recreation fee that started out at $5 or $10 year, it is now up to $140 a year.

Mr. HORN. The time is up.

Mr. CZYMANSKE. Yes; I can see that I will have to submit you something in writing.

Mr. HORN. But most congressional committees never have this.

Mr. CZYMANSKE. I understand. And I appreciate that too, I understand.

Mr. HORN. Thank you. Yes, sir.

Mr. CONSTANTINE. My name is Ralph Constantine, I am a consulting civil engineer licensed in the State of California and I have been in the construction business all my life. Lately, I have been one of the volunteer maintainers of the San Merrill Trail in Altadena, which is undergoing a most destructive reconstruction by the Forest Service. I think this is one of the most outrageous examples of mismanagement of public funds by the Forest Service. And I say that because——

Mr. HORN. Now, is this the U.S. Forest Service?

Mr. CONSTANTINE. Pardon me?

Mr. HORN. Is it the U.S. Forest Service?

Mr. CONSTANTINE. Yes; I am talking about——

Mr. HORN. You said it was in Altadena.

Mr. CONSTANTINE. I am sorry, I am talking about the Forest Service—the Angeles.

Mr. HORN. The Angeles?

Mr. CONSTANTINE. Yes; I am talking specifically about the San Merrill Trail in Altadena which they have undertaken, as I say, destructive reconstruction and they told the public they were going to spend about $28,000 to do the job and in my opinion, after having made an extensive study, which I proposed to write a report on, it cannot be done for less than $500,000. They have already spent, in my opinion, $75,000, $21,000 of which is for materials for retaining walls and these retaining walls are a special type which are made out of wood essentially, oil-treated redwood in a canyon which is periodically swept by forest fire storms driven by Santa Ana winds, so that it has happened in 1980, it happened in 1985 and I think the next forest fire, those will all be destroyed. We complained to them that that was the wrong thing to do, but they have not been responsive to that.

Then I further—the work now is—as I say, they have spent about $21,000 just for materials which were not included in the $28,000 figure.

Mr. HORN. If you could submit that for the record, we will be glad to send it to the Forest Service.

Mr. CONSTANTINE. OK. Well, I further have a letter here——

Mr. HORN. Unfortunately, your time is up. But please submit it, we will put it in as if spoken and we will send it to the Forest Service for a response. We will need your address, all I have here is Altadena. OK.

Helen Larson, Santa Barbara.

Ms. LARSON. Right. Mr. Horn, I am Helen Larson and I am here just so you all are aware that there really is a strong grassroots movement going on across the western part of the United States. It is not only in Washington, Oregon, and California, but I can tell you just at our local level, we have had 200 people crowd into the Maverick Saloon in the Santa Ynez Valley, 200 people crowd into a junior high school auditorium in Santa Barbara, 190 people crowd into the Chaparral Auditorium in Ojai, this is all since March 30, because they are absolutely outraged about this double taxation and also the inconvenience of the administration of the Adventure Pass Program.

It has alienated us from our Forest Service friends, for those of us who live up there in the mountains, because they have very quietly come to us and said for heaven sakes, contact Congress and get this off our backs. We do not want to be Forest Service cops, we are here to be Forest Service rangers. So we know that there is a problem with the Forest Service, we have heard that there is a one-third cut in the funding for the Forest Service, but we feel as if there is a reallocation of funding.

Mr. HORN. Go ahead. I was trying to get an answer to one of your questions. I can listen and hear him, too.

Ms. LARSON. Well, I would be happy to.

It is just the matter of fact of the administration of the Adventure Passes making it so difficult even in our small towns, because of our relationships with the Forest Service people, whom we live right next door to and also the vendors who are selling the Adventure Pass, we feel because it is a privatization of public lands. Every vendor who makes this pass available is undercutting our American right as citizens to our forest lands.

Let me say one more thing about why I actually became involved, and that is because I live on a road called West Communosuelo. There are no amenities whatsoever. I do not mind paying at national parks. I do mind the fact that if I take a left-hand turn out my driveway and go up past three houses, I am cut-off from my road. I can—there are only two trails up my road. OK? I can no longer go up there and park and admire the scenery. You know, my kids and my grandkids should have the right to go for a quiet walk in the woods. There are some other places maybe where they want to recreate, but there is also a need for our bodies and souls just to go for a quiet walk.

OK.

Mr. HORN. Thank you. Heidi Mauer of Ojai, CA.

Ms. MAUER. If I had known you were going to give us this opportunity, I would have done something other than scribbling a few notes down.

Mr. HORN. Go ahead.

Ms. MAUER. I appreciate this experience though.

I and many others will and do boycott the Adventure Pass. I say that sadly because I like to use the forest, but I will do this.

I was raised to believe that the forests were to be preserved by government and not developed for recreation. So the development I have seen already, I do not like. I am sorry there are so many people that feel they need that sort of development, but there will not be a place for the animals and the wildlife either.

Something was said about the surveys that were done. I cannot believe that. The people I have talked to, the people I have encountered—there may have been 1 percent that are in favor of this program. So I cannot see these surveys being legitimate.

There was a town meeting up in Ojai. Forest representatives were invited but nobody showed up from the Forest Service.

There are campgrounds up behind Ojai, I know because I have been up there camping. No fees associated with them. I do not mind paying a couple dollars on a campground that is not developed or even some that are developed more and paying a fee, or even a picnic area that has got the tables, the cement foundation for garbage stands. I do not mind paying fees for anything I use. There are campgrounds and camp sites that there are no fees on currently.

Thank you.

Mr. HORN. Thank you. Ann Cantrell, Long Beach, welcome. Nice to see you, Ann.

Ms. CANTRELL. Thank you.

I am conservation chair of Eldorado Audubon, and in all the talk that we have had today, I have not heard much said about the birds, which share the national forests with us.

Audubon has been participating in a 5-year study on breeding birds in L.A. County and one of the places that we have gone is the very northern part of L.A. County in the Angeles Forest. We have discovered there are birds breeding there that no one had any idea were still around L.A. because of all the over-development.

I was astounded to hear Mr. O'Toole say that profits are what we want out of the national forests. I, for one, and I think there are many others that agree with me, that is not what we are looking for in the national forests. We are looking for a place for recreation, for restoring our souls, for seeing wildlife in its natural habitat.

It was brought up that looking out over a clear cut forest is not a way to attract people to the national forest. Clear cutting is another thing that is destroying the bird life in our country. We found out that they have to have corridors, they cannot be cutoff by little patches of forest that are left.

So I have mixed feelings about paying fees for the national forest and I agree with what some of the other people have said about not objecting to paying for overnight camping, but just to get out and walk in the national forests, I think should be a privilege that we all should enjoy.

Mr. HORN. Thank you, well said.

Ms. CANTRELL. Thank you.

Ms. MORROW. Hello. I am Bea Morrow.

Mr. HORN. Hello, Bea, nice to see you.

Ms. MORROW. Same here. Sierra Club chair for Long Beach. We have 3,000 members in the Long Beach area and I am representing them today.

Mr. HORN. Including me.

Ms. MORROW. Including you; yes, thank you.

The Sierra Club is against timber cutting, as you know, in the national forests. It is obviously a failure. There seems to be no good reason to continue the timber cutting. A cut forest is not a forest any more, as we all know. And a replanted forest takes so long to grow.

I was just at the beginning of Yosemite and went up into the forest there, way in the back and found a planting of 10 years, and it was about as big as I am. It had all been done by volunteers. There are a lot of volunteers and we volunteer a lot of time for trails and everything in our national forests. We would like to see them kept wild. We think that the profit motive for our national forests is the wrong way to go. I am sorry, I can only see subsidy by the Government.

The timber industry has been subsidized long enough. I think you need to subsidize the forest itself in any way that we can keep it.

I have been in Germany, I saw managed forests in Germany. They were dead forests, there was not an animal, nothing moving in those forests. They were very beautiful, but nothing alive in them. I understand they are having trouble keeping those forests alive because there is not any ancient forest. They cut their forests every 30 years there.

Those people come over here. While I was in Yosemite, there were more people from foreign countries than Americans, and this

was just last week. It was unbelievable. But that is where our dollars from overseas can come from, not from sending our wood over there to be sold.

Thank you.

Mr. HORN. Thank you. Jack Morrow. Nice to see you, Jack.

Mr. MORROW. Same here. I am the husband of the chair of the Long Beach Group. [Laughter.]

For whatever that is worth.

I submitted a written statement to you and I would just like to comment, I wanted to ask the question while the panel was up there but they left before I could. We heard the timber industry guy say that the forests are bigger and better than ever, increasing so fast we have got to clear cut them or burn them or do something with them. Then we heard the guy from the steel company, the steel framing company quote a Government report that showed exactly the opposite, which makes you wonder if they are talking about the same forests or the same country or the same planet.

One of my comments was that the Forest Service should know how many acres of forest have been cut, how many remain uncut by site, class, by district and by forest. And most importantly, has this been verified visually onsite by an independent agency? I think one of the panelists mentioned certified.

There has been a lot of talk about phantom forests that exist only in Forest Service computers, which have been looked at found to be clear cut wastelands. So I think in evaluating where we are today, that this committee should certainly take any statistics that you are provided, with a big grain of salt and verify them in some way independently.

Thank you.

Mr. HORN. Thank you. Next is Ned Boyer of Pasadena.

Mr. BOYER. Yes, thanks for the opportunity to speak.

I am a Sierra Club member, but mostly just speaking for myself today. A couple of items that I want to just encourage you to look at that were not mentioned today.

There used to be a timber theft task force that I believe the last Forest Service Chief, not the current one, had shut down. Timber theft I believe is a real problem and I hope that that is something that you will look at because that is also something that contributes to fiscal problems.

Mr. HORN. Where do you see that occurring, do you know?

Mr. BOYER. No, I do not have the specifics, but I think that Andy Stahl's organization or the Public Employees for Environmental Responsibility, founded by Jeff Dubones, they are the ones who brought that to the public's attention and so they issued a report on that.

Mr. HORN. That is a good point. We had that at the first decade of the 20th century. Teddy Roosevelt sent a special counsel up to Oregon to go after some of that.

Mr. BOYER. Yes, thanks.

Also, in today's L.A. Times, on page 5, Jim Gurstanzing mentions riders in Congress that are attached to appropriations bills, many of them detrimental to the environment, including one that would apparently ban prescribed fire until the land had already been

logged. That and the other antienvironmental riders, I hope you will do your most to oppose and to see that they be scrapped.

There are some comments I have about environmental costs, the intangibles that are not necessarily—that I will try to submit in writing to you because that will take longer to say.

My last point has to do with the 1872 mining law, which was also not discussed today. There is a very strong and important case in the Siskiyou National Forest, Rough and Ready Creek, very high biological values and there is a damaging mine operation proposed for there. I brought a very helpful video cassette which I offer to you, and some other materials including some Forest Service documents given to me by James Rogan, my representative up there in Pasadena. And if you do not have it, I have——

Mr. HORN. I do have that right on my office coffee table.

Mr. BOYER. The clear cut book? Thank you very much.

Mr. HORN. That is a very tragic situation.

Mr. BOYER. So this material I will be glad to give to you.

Mr. HORN. Good, I would like to see it. Do you need it back?

Mr. BOYER. I have copies, thank you.

Mr. HORN. Good, I will look at it tonight.

OK, our last one is Alan Aronson, El Segundo, CA. Welcome.

Mr. ARONSON. Thank you, Mr. Horn. Thank you for having this meeting.

I just basically want to add to the fee level, which I in general oppose, that there is a certain—Mr. O'Toole said that recreation was not a public good. I think a certain level of access, as many people have mentioned, does in fact constitute a public good, a certain level of access to our public lands.

It was pointed out that access to these lands creates pollution. I would like to point out that hunters and fishermen, for example, already pay excise taxes under the Pittman-Robinson Act, and they have for years. In California, off-road people pay fees through the Green Sticker Program. Perhaps a broader tax on other outdoor camping activities or outdoor equipment could be used to add to the fees, but I would urge the Congress to develop the political will to fund the national forests and our national parks at the levels that they need. I think the support is there if the case is made.

I am worried about fees adding to privatization and favoring intensive development over less development. For example, downhill skiing over cross country skiing, highly developed campsites over wilderness areas and so forth.

I want to thank you very much again.

Mr. HORN. Your comment reminds me that it might be a little difficult for those that do not want to be Forest Service cops to chase skiers down slopes to get the fee, but I thank you for raising that issue. Thank you very much.

With that, we are going to thank the staff that prepared this hearing—J. Russell George, he is probably already up in the State of Washington, staff director and chief counsel. There you are, Russell, thank you. That is where the city manager I think sits in this town, too, in the meetings. He is staff director and chief counsel to the subcommittee. Mr. Brasher, to my immediate left, the senior policy director, and a native of this area as a matter of fact; Matthew Ebert, the clerk, who has kept this thing running for a year

now; Mason Alinger, the staff assistant, also helping Matthew. Then we have several interns in Washington and here that worked on the hearing—Sol Bartel, Betsy Damus, Mark Urciuolo, David Graff, and we have Marisa Gard on my right, who is also a resident of this area and she is one of our key people in Washington, legislative assistant and also head of all computer systems for us. And that is a tough, tough thing.

Connie Sziebel, I do not know if she is here. Connie stand up so people can see you, although half of them are not from this area, but Connie is the district director for us and she is a tremendously efficient, effective staff in the Lakewood District Office. David Coher is outside, district assistant; Justin Ponchak, intern; and Bill Warren is our court reporter.

But I want to also thank the Bellflower staff here, Mike Egan, the very able city administrator in this city, was nice enough to arrange these facilities; along with Kevin Gee, the public information officer. So we thank our friends in Bellflower.

Now, this hearing will be adjourned until Thursday, in Wenatchee, WA, when another hearing will begin at 11 a.m. So any of you that want to continue to be at these hearings, please join us in Wenatchee, WA.

With that, we are in recess.

[Whereupon, at 2:35, the subcommittee was adjourned.]

OVERSIGHT OF THE MANAGEMENT PRACTICES AT THE U.S. FOREST SERVICE

THURSDAY, JULY 9, 1998

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON GOVERNMENT MANAGEMENT,
INFORMATION, AND TECHNOLOGY,
COMMITTEE ON GOVERNMENT REFORM AND OVERSIGHT,
Wenatchee, WA.

The subcommittee met, pursuant to notice, at 11:17 a.m., in the Wenatchee Convention Center, 201 West Wenatchee Avenue, Wenatchee, WA, Hon. Stephen Horn (chairman of the subcommittee) presiding.

Present: Representatives Horn and Hastings.

Staff present: J. Russell George, staff director and chief counsel; Mark Brasher, senior policy director; and Matthew Ebert, clerk.

Mr. HORN. The Subcommittee on Government Management, Information, and Technology has been adjourned since its Tuesday hearing, and it now is delighted to reconvene in Wenatchee, WA. I must say it has been a beautiful drive coming here from Seattle, and it was just a lovely day and going through a lot of different forests. The one thing I had not counted on was the Washington State Highway Department and the repair of an area that rocks are falling in the pass between here and the outside world, and after 56 cars and trucks piled up on each side, why in 25 minutes we made it, and I am sorry I am 15 minutes late.

But let me talk a little bit about what some of our aims are.

The Forest Service, as we know, was established in 1905 by President Theodore Roosevelt. The President, in accordance with the Progressive Movement, sought to run the agency on scientific principles such as relying on experts in the field of wildlife management and timber harvesting. The Forest Service today has a wide range of responsibilities and is responsible for many valuable goods and services, including recreation, timber, watershed, wildlife, and fish.

Sometimes these responsibilities conflict with each other in ways that are frustrating for citizens. A citizen who wishes to swim in a river in a national forest may find the river tainted by minerals if extensive logging has occurred. A citizen who wishes to make a house from timber harvested in a national forest may pay more if the timber is unavailable. Many rural communities are heavily dependent upon timber revenues and have been devastated in the past 10 years as yields have declined.

Nobody doubts that the Forest Service faces daunting challenges. The Service is asked to reconcile competing interest groups in doz-

ens of remote locations every day. Part of the key to this problem is accurate, timely financial information. And that is one of the major thrusts of our subcommittee. We are the ones that sponsored the first balance sheets in 200 years of the executive branch. Most of them came in by March, some of them still have not come in, the Forest Service included. Citizens and Government officials can make informed policy judgments only if we have correct data and information. For the fiscal year ending September 31, 1997, the Forest Service was required to produce an audited financial statement. March 1, 1998 deadline for that report has come and gone and we are still awaiting the report. Nearly every other agency has managed to accomplish this financial audit.

Part of the problem is outdated financial systems. This has led to a lack of accountability. Many operations are run as local fiefdoms, since it is impossible to get accurate information in Washington, DC about Forest Service activities.

Take the Recreation Fee Demonstration Program. For several decades, the Federal Government has been relying on fees to an ever-greater extent. Lands agencies, especially the National Park Service and the Forest Service, have extensive needs that cannot continue to be met adequately through annual appropriations. Each year, national treasures are neglected. Therefore, we must examine the merits and demerits of using fees. Questions of access to the forest must be balanced against funding shortfalls.

Our witnesses represent diverse groups from the Forest Service, the General Accounting Office, and various private groups. We look forward to their testimony. We also at the end will have an opportunity for anyone in the audience to comment for at least a minute, depending on how many are in line, because we will spend about one-half hour to 1 hour on that.

I want to acknowledge the leadership first of some of your own representatives as well as a neighboring one in the State of Idaho, on the work they have done on Forest Service issues. Helen Chenoweth, who heads the Forestries Committee of the Resources full committee, has spent a lot of time on this issue. I believe she was going to try to send her assistant today, I do not know if—well, good, you are certainly welcome to come up and sit with us here, very good. But Doc Hastings I want to say a lot about, because he is a superb Member of Congress. He is one of those workhorses, not show horses, and frankly those are the people that make a difference in Congress. So I think you can be very proud of your representation. Both have been outstanding Members and we look forward to working with them to improve the Forest Service so that every citizen can have greater confidence in the custodianship of Federal assets.

I am now delighted to welcome the Congressman from this area, Doc Hastings, for an opening statement.

[The prepared statement of Hon. Stephen Horn follows:]

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House of Representatives

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"Oversight Hearing on Management Practices of the U.S. Forest Service."

July 9, 1998

OPENING STATEMENT
REPRESENTATIVE STEPHEN HORN (R-CA)

Chairman, Subcommittee on Government Management,
Information, and Technology

A quorum being present, this hearing of the Subcommittee on Government Management, Information and Technology will come to order. Today, we will examine the management practices of the U.S. Forest Service.

The Forest Service was established in 1905 by President Theodore Roosevelt. The President, in accordance with the Progressive Movement, sought to run the agency on scientific principles, such as relying on experts in the field of wildlife management and timber harvesting. The Forest Service today has a wide range of responsibilities and is responsible for many valuable goods and services, including recreation, timber, watershed, wildlife and fish.

Sometimes these responsibilities conflict with each other, in ways that are frustrating for citizens. A citizen who wishes to swim in a river in a National Forest may find the river tainted by minerals if extensive logging has occurred. A citizen who wishes to make a house from timber harvested in a National Forest may pay more if the timber is unavailable. Many rural communities are heavily dependent upon timber revenues, and have been devastated in the past ten years as yields have declined.

Nobody doubts that the Forest Service faces daunting challenges. The Service is asked to reconcile competing interest groups in dozens of remote locations every day. Part of the key to this problem is accurate, timely financial information. Citizens and government officials can make informed policy judgments only if we have correct information. For the fiscal year ending September 31, 1997, the Forest Service was required to produce an audited financial statement. The March 1, 1998 deadline for this report has come and gone. We are still awaiting the report. Nearly every other agency has managed to accomplish this financial audit. The Forest Service is

a laggard.

Part of the problem is outdated financial systems. This has led to a lack of accountability. Many operations are run as local fiefdoms, since it is impossible to get accurate information in Washington about Forest Service activities.

Take the recreation fee demonstration project. For several decades, the Federal Government has been relying on fees to an ever-greater extent. Lands agencies, especially the National Park Service and Forest Service, have extensive needs that cannot continue to be met adequately through annual appropriations. Each year, national treasures are neglected. Therefore, we must examine the merits and demerits of using fees. Questions of access to the forest must be balanced against funding shortfalls.

Our witnesses represent diverse groups from the Forest Service, the General Accounting Office, and private groups. We look forward to their testimony. Before we begin, I want to acknowledge the leadership of Representatives Doc Hastings and Helen Chenoweth on forest issues. Both are outstanding members, and we look forward to working with them to improve the Forest Service so that every citizen can have greater confidence in the custodianship of Federal assets. With that, I would like to yield to my distinguished colleague from the State of Washington.

Mr. HASTINGS. Well, Mr. Chairman, I want to welcome you to central Washington, and I somewhat apologize, although I cannot do anything about it, because it took you so long to get here. But in the Northwest where we have a lot of different weather during the year, this is the time of the year that we have to repair our roads. So you unfortunately got caught in that situation.

I too want to acknowledge the work that the Committee on Resources, in our somewhat convoluted way that we pass around jurisdiction, we have several committees sometimes that have jurisdiction over the same issues, and obviously the Committee on Resources with Chairman Young and the subcommittee chairman, Helen Chenoweth, they do a lot of work on this issue, and I am glad that you acknowledged that and I too would like to do that.

I do want to thank you for holding this hearing today in Wenatchee. There frankly is no better place than the Pacific Northwest to see and hear first hand how the decisions made by the U.S. Forest Service impact small rural communities. I am here today because I believe we need to bring common sense and sound science back into the management of our national forests. I believe that we must ensure that local residents living in and around our forests have a say in the future forest management decisions.

As you probably know, both Oregon and Washington are divided by the Cascade Mountain Range. You can—I will not say actually, but theoretically stand on the Cascade crest of those mountains, and on one hand have over 90 inches of rain annually, a year, and on the other hand have less than 10 inches of rain. Obviously forest fires are a major concern on this side, the 10 percent side, of our range. Our forests grow slower, have less underbrush, and fires spread much more quickly than on the west side of the State.

For these reasons, all land managers, Federal, State, or private, must use a combination of forest management practices to help prevent situations that harm forest health and may lead to forest fires that devastate small communities. Clearly there is an appropriate role for timber harvests in the Pacific Northwest as a sound forest management tool that also sustains local economies.

Unfortunately, a dramatic decline in the harvest of timber from our national forests has accompanied the debates over acceptable forest management. In the west, we have suffered an 80 percent decrease in timber harvest levels just since 1989. This had led to the closure of over 300 mills and the loss of tens of thousands of high paying jobs, crippling many small timber-dependent communities. While we can point to any number of reasons, I believe the problem is principally the result of two factors: an increase to legal challenges to timber sales and Federal administrative policy changes.

Mr. Chairman, as you are aware, the number of legal challenges to timber sales throughout this country has risen dramatically in the last decade. Most of these suits are based on the confusing and often contradictory laws that govern Federal timber policy. From the National Environmental Policy Act, or NEPA, the Endangered Species Act, the Federal Land Policy Management Act and the Forest Management Act, various organizations have used Federal laws to challenge legitimate, necessary timber sales.

I have before me a list of 90 legal challenges in response to timber sales in the Okanogan National Forest during the past 8 years alone. A large majority of these lawsuits have been brought by only a handful of groups. These groups know that our Federal land managers have very little chance of completing a timber sale without at least one successful legal challenge. In the end, either the timber sale is killed or timber sales become too costly. The so-called environmental groups cannot lose by challenging every sale, but the taxpayer, in my opinion, certainly can.

With your permission, Mr. Chairman, I would like to submit this for the record.

Mr. HORN. Without objection, it will be inserted in the record at this point.

[The information referred to follows:]

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Sheet1

DATE APPEALLED	PROJECT NAME	APPELLANT	DECISION	DECISION DATE	2ND LEVEL REVIEW	DECISION	DECISION DATE
4/17/92	Aeneas Timber Sale	Tenasket Forest Watch	Affirm	7/30/93			
7/21/93	Bailey SUP Denial	Mark Vincent Bailey	Dismiss	8/31/93			
9/9/91	Bee Timber Sale	Inland Empire Public Lands Council, et.al.	F. S. Withdrew	1/31/92			
			Dismiss	2/7/92			
9/23/91	Bee Timber Sale	Wesleyan University Environmental Interest Group	F. S. Withdrew	1/31/92			
			Dismiss	2/7/92			
11/12/97	Beaver Salvage Timber Sale	Northwest Ecosystem Alliance, et.al.	F. S. Withdrew	1/20/98			
			Dismiss	2/11/98			
11/12/97	Beaver Salvage Timber Sale	George F. Wooten, III.	F. S. Withdrew	1/20/98			
			Dismiss	2/11/98			
10/28/93	Boy Scout Special Use Permit Fee	Boy Scouts of America - Grand Columbia Council	Dismiss	12/28/93			
8/5/91	Brown Timber Sale Supplement	Wesleyan University Environmental Interest Group	Dismiss	9/4/91			
11/8/91	Burgett Timber Sale	Methow Forest Watch	Remand	6/11/92			
2/10/92	Burgett Timber Sale	Wesleyan University Environmental Interest Group	Affirm	4/20/92			
10/7/92	Burgett Timber Sale	Sierra Club, Cascade Chapter	F. S. Withdrew	12/21/92			
			Dismiss	1/5/93			
11/10/92	Burgett Timber Sale	Inland Empire Public Lands Council, et.al.	F. S. Withdrew	12/21/92			
			Dismiss	1/5/93			
2/11/94	Burgett Timber Sale	Sierra Club, Cascade Chapter	Appellant Withdrew	3/7/94			
			Dismiss	3/23/94			
2/14/94	Burgett Timber Sale	Methow Forest Watch	Appellant Withdrew	3/7/94			
			Dismiss	3/23/94			
3/7/90	Beyer Small Tract Application	Richard S. Beyer	Affirm	11/19/90			
9/12/91	Chewuch Blowdown Timber Sale	Wesleyan University Environmental Interest Group	Affirm	9/30/91	10/18/91	Affirm	12/30/91
6/23/90	Cougar/Bear Outfitter Guide Permit	Marilyn Mullis	Affirm	12/5/90			
11/16/93	Coyote Timber Sale	Methow Forest Watch	Affirm	4/28/95			
3/18/97	Crown Jewel Mine	Okanogan Highlands Alliance, et.al.	Affirm	5/5/97			
3/20/97	Crown Jewel Mine	Confederated Tribes of the Colville Reservation	Affirm	5/5/97			
3/20/97	Crown Jewel Mine	Columbia River Biological Education Project	Affirm	5/5/97			
3/20/97	Crown Jewel Mine	Kettle Range Conservation Group	Affirm	5/5/97			
10/1/91	Cumberland Mountain Mineral Exploration	Donald L. Fayle	Dismiss	10/18/91			
10/3/91	Cumberland Mountain Mineral Exploration	Ernie Soya	Dismiss	10/31/91			
12/19/96	Denny Timber Sale	Northwest Ecosystem Alliance, et.al.	Appellant Withdrew	1/31/97			
			Dismiss	1/27/97			
8/8/91	Dragon Timber Sale	Tenasket Forest Watch	Remand	8/26/91			

Ok. Nat'l Forest

Sheet1

10/12/92	Douglas Salvage Timber Sale	Sierra Club, Cascade Chapter	F. S. Withdraw	10/22/92			
			Dismiss	10/24/92			
3/29/93	Douglas Salvage Timber Sale	Sierra Club, Cascade Chapter	Dismiss	4/30/93			
9/29/93	Fergus Access Special Use Permit	Corwin Fergus	Dismiss	10/12/93			
9/18/92	Foggy Draw Whitebark Pine Enhancement	Sierra Club, Cascade Chapter, et.al.	Affirm	9/26/92	9/30/92	Affirm	11/3/92
3/30/93	Hart Allotment Permit Cancellation	Norma Jean Hart	Remand	12/9/93			
9/8/91	Hawk Timber Sale	Methow Forest Watch	Affirm w/instructions	1/23/92	3/4/92	Remand	3/30/92
9/10/91	Hawk Timber Sale	Wesleyan University Environmental Interest Group	Affirm	1/22/92	3/4/92	Affirm	3/26/92
12/8/94	Hinman Allotment Numbers Suspension	Jean Lloyd-Hinman	Appellant Withdraw	4/21/95			
			Dismiss	5/22/95			
10/10/97	Integrated Weed Mgt EA	Inland Empire Public Lands Council, et.al.	Affirm	12/4/97			
5/10/91	Knorr Allotment Non-Use Permit	William C. Knorr	Affirm	4/10/91	6/4/91	Affirm	9/10/91
7/22/96	Libby Allotment	Inland Empire Public Lands Council, et.al.	Affirm	9/11/96			
4/17/96	Little Bonaparte Timber Sale	Tonasket Forest Watch	Affirm	11/24/96			
11/26/91	Lone Fir Hazard Tree Removal	Wesleyan University Environmental Interest Group	Dismiss	12/6/91			
10/24/97	Long Draw Salvage Timber Sale	Northwest Ecosystem Alliance, et.al.	F. S. Withdraw	12/1/97			
			Dismiss	12/10/97			
10/27/97	Long Draw Salvage Timber Sale	Kettle Range Conservation Group	F. S. Withdraw	12/1/97			
			Dismiss	12/10/97			
10/28/97	Long Draw Salvage Timber Sale	Sierra Club, Cascade Chapter	F. S. Withdraw	12/1/97			
			Dismiss	12/10/97			
7/1/91	Lyman Timber Sale	Wesleyan University Environmental Interest Group	Affirm	12/18/91			
12/27/91	Lyman Timber Sale	Tonasket Forest Watch	Dismiss	8/2/91	8/21/91	Rescind	8/21/91
			Affirm	12/16/91			
8/16/90	Maytly Timber Sale	Sierra Club, Cascade Chapter	F. S. Withdraw	10/1/90			
			Dismiss	10/22/90			
6/2/93	Muckamuck Timber Sale	Sierra Club, Cascade Chapter	Affirm	1/4/93			
6/4/93	Muckamuck Timber Sale	Tonasket Forest Watch	Affirm	1/4/93			
3/8/93	Nicholson Timber Sale	Tonasket Forest Watch	Affirm	7/8/93			
3/15/93	Nicholson Salvage One Timber Sale	Tonasket Forest Watch	Dismiss	4/5/93	4/19/93	Affirm	4/29/93
3/15/93	Nicholson Salvage Two Timber Sale	Tonasket Forest Watch	Affirm	4/5/93	4/19/93	Affirm	4/29/93
9/22/91	Old Tom Timber Sale	Methow Forest Watch	F. S. Withdraw	12/18/92			
			Dismiss	1/8/92			
9/25/91	Old Tom Timber Sale	Wesleyan University Environmental Interest Group	Dismiss	11/1/91			
3/23/92	Old Tom Timber Sale	Wesleyan University Environmental Interest Group	Affirm	6/12/92			
9/26/91	Overwood Timber Sale	Wesleyan University Environmental Interest Group	F. S. Withdraw	1/29/91			
			Dismiss	1/29/92			

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Sheet1

1/28/94	Poverty Timber Sale	Methow Forest Watch	Affirm	8/23/94			
1/28/94	Poverty Timber Sale	Sierra Club, Cascade Chapter	Affirm	8/29/94			
8/22/91	Poverty Timber Sale	Methow Forest Watch	F. S. Withdraw	10/14/91			
			Dismiss	10/21/91			
9/7/91	Poverty Timber Sale	Wesleyan University Environmental Interest Group	F. S. Withdraw	10/18/91			
			Dismiss	10/21/91			
9/6/91	Poverty Timber Sale	Sierra Club, Cascade Chapter	F. S. Withdraw	10/18/91			
			Dismiss	10/21/91			
9/23/91	RBS Timber Sale	Wesleyan University Environmental Interest Group	Affirm	10/28/91	12/6/91	Affirm	12/6/91
12/23/96	Snead Timber Sale	Kettle Range Conservation Group	Appellant Withdraw	1/21/97			
			Dismiss	1/27/97			
2/5/90	Spur Timber Sale	Roger Jackson	Affirm	3/5/90			
1/13/93	Strongbow Mineral Exploration	Okanogan Highlands Alliance, et.al.	Affirm	2/23/93			
9/19/91	Thompson Broome Timber Sale	Wesleyan University Environmental Interest Group	Remand	12/19/91	12/31/91	Denied	1/30/92
7/17/96	Libby Creek C&H Allotment	Dr. and Mrs. Bernard M. Thurlow	Affirm	4/1/97			
12/18/94	Thurlow Allotment Suspension	Dr. Bernard M. Thurlow	Affirm	6/1/95			
3/2/98	Thurlow Allotment Cancellation	Dr. and Mrs. Bernard M. Thurlow	In Progress				
5/31/90	Washington Pass Visitor Center	North Cascades Conservation Council	Remand	8/23/90			
11/21/96	Winter Special Use Permit Road Use Fee	Brent & Bergen Walker	Affirm	4/4/97			

Okanogan Nat'l Forest Appeals
90 - Mar 98

FS Contact Person:
Jan Flatten
826-3277

Action News May 1998

We leave you to form your own conclusion!!
Source: US Forest Service Republic Ranger District

Forest Project	Amount of Timber affected	Organization that filed the appeal	Date of Appeal
Forest Noxious Weeds		Kettle Range Conservation Group, Inland Empire Public Lands Council	2/3/97
North Sherman	28.1 MMBF	Kettle Range Conservation Group, Inland Empire Public Lands Council, Washington Wilderness Coalition	12/2/96
New Moon	30.1 MMBF	Kettle Range Conservation Group, Inland Empire Public Lands Council	10/21/96
Addy Salvage	14.7 MMBF	Kettle Range Conservation Group, Inland Empire Public Lands Council	8/26/96
Eagle Rock	8.8 MMBF	Kettle Range Conservation Group, Inland Empire Public Lands Council	8/5/96
Wollman	12.3 MMBF	Inland Empire Public Lands Council	7/29/96
Chewelah	17.8 MMBF	Inland Empire Public Lands Council	7/23/96
Noisy Divide	3.14 MMBF	Inland Empire Public Lands Council	2/28/96
Nancy	3.8 MMBF	Kettle Range Conservation Group, Inland Empire Public Lands Council	11/20/96
Mill	14.3 MMBF	Kettle Range Conservation Group, Inland Empire Public Lands Council	8/7/96
Pack-to-Go	767 MBF	Kettle Range Conservation Group, Inland Empire Public Lands Council	8/7/96
Lay Rube/Rube	13.6 MMBF	Inland Empire Public Lands Council	8/7/96
Exposure/Snyder	4.5 MMBF	Inland Empire Public Lands Council	8/7/96
Seldom Seen	7.8 MMBF	Inland Empire Public Lands Council	8/7/96
United Eagle	4.07 MMBF	Inland Empire Public Lands Council	8/2/96
Jasper Jenny	2.94 MMBF	Kettle Range Conservation Group, Inland Empire Public Lands Council	8/2/96
Thornboy	3.2 MMBF	Kettle Range Conservation Group, Inland Empire Public Lands Council	4/17/96
Stony Hudson	4 MMBF	Kettle Range Conservation Group, Inland Empire Public Lands Council, Citizens for Responsible Logging	11/14/94
Tenata Allotment		Kettle Range Conservation Group, Inland Empire Public Lands Council, Predator Project, Rest the West	8/22/95
East Curlew Creek	8 MMBF	Kettle Range Conservation Group, Inland Empire Public Lands Council, Northwest Ecosystem Alliance	5/2/94
Drummond	3.9 MMBF	Kettle Range Conservation Group, Inland Empire Public Lands Council, Citizens for Responsible Logging	3/7/94

Republic-Colville Nat'l Forest

34 KRCG
28 IEPLC

Chip'n Dale	1.5 MMBF	Citizens for American Forests	5/28/93
Ketard	3.3 MMBF	Kettle Range Conservation Group, Inland Empire Public Lands Council, Forest Conservation Council, Citizens for American Forests	3/22/93
Tom/Ross	7.6 MMBF	Kettle Range Conservation Group, Inland Empire Public Lands Council, Forest Conservation Council, Citizens for American Forests	3/15/93
Elbow	5.76 MMBF	Kettle Range Conservation Group, Inland Empire Public Lands Council, Forest Conservation Council, Citizens for American Forests	3/8/93
Hoki	8.59 MMBF	Kettle Range Conservation Group, Inland Empire Public Lands Council	3/8/93
Spook	1.3 MMBF	Kettle Range Conservation Group	3/1/93
Longsnake	3.7 MMBF	Kettle Range Conservation Group, Inland Empire Public Lands Council, Citizens for Responsible Logging	2/16/92
Donaldson/Graham	14.1 MMBF	Pend Oreille Environmental Team	2/8/93
Lost Tiger	7.8 MMBF	Kettle Range Conservation Group, Inland Empire Public Lands Council	1/25/93
Phelps Dodge		Kettle Range Conservation Group, Washington Wilderness Coalition, Okanogan Highlands	1/4/93
Gatorson	12.5 MMBF	Inland Empire Public Lands Council, Citizens Opposing Gatorson Sale	11/16/93
Key West Mining		Kettle Range Conservation Group, Washington Wilderness Coalition, Okanogan Highlands	10/16/93
Lewis Sullivan		Northwest Ecosystem Alliance	7/29/92
Big Iron Mineral		Kettle Range Conservation Group	9/29/92
Noxious Weed EA		Kettle Range Conservation Group	3/2/92
Wolfpup Salvage		Wesleyan University Environmental Interest Group	2/7/92
Gatorson	12.5 MMBF	Wesleyan University Environmental Interest Group, Citizens Opposing Gatorson Sale, Kettle Range Conservation Group.	3/6/92
Cooked	1.4 MMBF	Kettle Range Conservation Group	4/20/92
Post/Pole D. Memos		Kettle Range Conservation Group	5/28/92
Boulder	10.8 MMBF	Pend Oreille Environmental Team	9/28/90
Deer	10.2 MMBF	Kettle Range Conservation Group, Orient Water Co	10/24/90
Gatorson	16.8 MMBF	Kettle Range Conservation Group, Citizens Opposing Gatorson Sale	10/17/90
Callapell	9.6 MMBF	Pend Oreille Environmental Team	10/24/90
Ketard	3.7 MMBF	Kettle Range Conservation Group	11/21/90
Tom/Ross	6.1 MMBF	Kettle Range Conservation Group	2/20/91
Cooked	1.7 MMBF	Kettle Range Conservation Group	2/7/91
Elbow	7.5 MMBF	Kettle Range Conservation Group	2/7/91
Delaney Heights Salv.	0.3 MMBF	Wesleyan University Environmental Interest Group	7/22/91

Republic - Colville Nat'l Forest

Mr. HASTINGS. It is absolutely critical that we clarify the laws governing Federal timber sales and decrease potential legal challenges, if we expect to improve the efficiency of our Forest Service and increase the health of our national forests. In addition, we need to ensure that we focus on science, not politics or emotion, when dealing with our national forests. Our forest supervisors are constantly pushed by politics rather than by what is best for our forests. Whether it be adequate management of noxious, invasive weeds, ensuring recreational access or administering the new recreational demonstration fee, building and maintaining much needed forest roads, or the process of actually offering timber for sale, local forest supervisors have been under pressure from all sides. We must attempt to stop micromanaging the daily activities of our national forests from Washington, DC. It frankly has not worked and I do not believe it will work in the future. Instead, I believe we must let sound science dictate our policies.

To date, Federal micromanagement has not only led to declining timber sales, as I mentioned earlier. The most recent impact being the unfortunate bankruptcy of Okanogan County's largest employer—Okanogan County is a county directly north of here—Omak Wood Products. It has led to a recreational demonstration program that in this area has been somewhat poorly implemented. It has also led to the uncontrolled spread of noxious weeds onto private lands, which I know you will hear from later on today.

We can all debate whether or not the Forest Service is losing money on timber sales. It mainly depends upon what you classify as a cost to the program, but one thing is clear, our national forests can and must be managed more efficiently and more effectively.

I have several recommendations that would move us toward that goal. I think that Congress must pass legislation designed to protect the health of our forests. We must strike a responsible balance between commercial thinning and harvesting and prescribed fires to reduce the fuel load in our national forests. Second, we must stop using our scarce fiscal resources on projects that sometimes produce little public benefit, such as the emphasis of hand pulling noxious weeds rather than other areas to stop their spread. Third, we must reform the Recreational Demonstration Fee Program to ensure that local users are not unfairly overcharged and that the collected revenue is used locally for the benefit of those who pay for the fees. Finally, this is a much longer term goal, we need to work on reforming NEPA, the Endangered Species Act and other applicable Federal statutes to clarify congressional intent for the sake of our land managers, grazers, recreational users, and local residents.

I am sure you will hear several contrasting views today. That is the purpose of these open hearings and once again, I am glad that we are here in Wenatchee.

I think all of that testimony needs to be weighed carefully. However, I cannot stress to you enough the need to make common sense decisions based on sound science with the participation of local residents and officials. We need to replace shouting and screaming of national politics with the calm measured voices of sound science and local community involvement.

So once again, Mr. Chairman, I would like to offer my personal thanks to you and your staff for holding this hearing today in central Washington and to hear from the people that traveled for many miles that are most impacted by decisions made by the Forest Service. I look forward to hearing from all the witnesses today, and I hope the subcommittee will leave today with a better understanding of what works and what does not work for our forests and our rural communities.

And with that, Mr. Chairman, I look forward to the testimony of our witnesses.

[The prepared statement of Hon. Doc Hastings follows:]

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Congress of the United States
House of Representatives

Statement of
Congressman Doc Hastings

Regarding the Management Practices of the United States Forest Service

Before the House Committee on Government Reform and Oversight
Subcommittee on Government Management, Information, and Technology

July 9, 1998

Mr. Chairman:

Thank you for holding this hearing today in Wenatchee. There is no better place than the Pacific Northwest to see and hear firsthand how the decisions made by the U.S. Forest Service impact small, rural communities. I am here today because I believe that we need to bring common sense and sound science back into the management of our national forests. And I believe that we must ensure that local residents, living in and around our forests, have a say in future forest management decisions.

Geography of Washington

Mr. Chairman, as you probably know, both Oregon and Washington are divided by the Cascade Mountain Range. These mountains separate the state into very wet, and very dry regions, with my district being predominately dry. You can actually stand on the Cascade crest and on the one hand have over 90 inches of rain, and on the other hand have less than 10 inches of rain per year.

Such stark differences in rainfall require very different forest management practices. Obviously, forest fires are a major concern on this side of the range. Our forests grow slower, have less underbrush, and fires spread much more quickly than on the west side of the state. For these reasons, all land managers -- federal, state or private -- must use a combination of forest management practices to help prevent situations that harm forest health and may lead to forest fires that devastate small communities.

History of timber in the PNW

Clearly there is an appropriate role for timber harvest in the Pacific Northwest as a sound forest management tool that also sustains many local economies.

As you know, Mr. Chairman, the management practices of the U.S. Forest Service have been the focus of debate going back several decades, especially here in the Northwest. What kind of harvest levels are sustainable? How would specific timber harvests impact the Northern Spotted Owl or the Marbled Murrelet? Or even more recently, how do specific timber harvest practices impact salmon spawning habitat?

Unfortunately, a dramatic decline in the harvest of timber from our national forests has accompanied these debates. We in the West have suffered an 80 percent decrease in timber harvest levels just since 1989. This has led to the closure of over 300 mills and the loss of tens of thousands of high-paying jobs -- crippling many small, timber-dependent communities. And while you can point to any number of reasons, I believe the problem is principally the result of two factors: an increase in legal challenges to timber sales; and federal administrative policy changes.

Timber Sales Litigation

Mr. Chairman, as you are aware, the number of legal challenges to timber sales throughout the country has risen dramatically in the last decade. Most of these suits are based on the confusing and often contradictory laws that govern federal timber policy. From the National Environmental Policy Act (NEPA) and the Endangered Species Act (ESA) to the Federal Land Policy Management Act (FLPMA) and the National Forest Management Act (NFMA), various organizations have used federal laws to challenge legitimate, necessary timber sales.

I have before me a list of 90 legal challenges in response to timber sales in the Okanogan National Forest during the past eight years alone. The numbers are similar for the Colville National Forest. A large majority of these lawsuits have been brought by only a handful of groups. These groups know that our federal land managers have very little chance of completing a timber sale without at least one successful legal challenge. In the end, either the timber sale is killed, or timber sales become too costly. And as you well know, the cost of federal timber sales are under increasing scrutiny. The so-called environmental groups can't lose by challenging every sale -- but the taxpayer certainly can. With your permission, Mr. Chairman, I would like to submit this list for the record.

It is absolutely critical that we clarify the laws governing federal timber sales, and decrease the potential legal challenges, if we expect to improve the efficiency of the Forest Service and increase the health of our national forests.

The Need for Sound Science

In addition, Mr. Chairman, we need to ensure that we focus on science -- not politics or emotion -- when dealing with our national forests. Our Forest Supervisors are constantly pushed by politics rather than by what's best for our forests. Whether it be adequate management of noxious and invasive weeds, ensuring maximum recreational access, administering the new Recreational Fee Demonstration program, building and maintaining much-needed forest roads, or the process of actually offering timber for sale, local forest supervisors have been under pressure from all sides. We must stop attempting to micromanage the daily activities of our national forests from Washington, DC. It hasn't worked, and it won't work. Instead, we must let sound science dictate our policies.

To date, federal micromanagement has not only led to declining timber sales, with the most recent impact being the bankruptcy of Okanogan County's largest employer -- Omak Wood Products, it has led to a Recreational Fee Demonstration Program that has been poorly implemented. It has also led to the uncontrolled spread of noxious weeds onto private lands, which you will no doubt hear more about later today. And worst of all, it has led to an increasing cost to the taxpayer, when ideally the Forest Service could actually make a profit if we managed our lands properly.

I might add that much has been made of increasing the role of tourism in future forest management practices. While I agree completely that tourism should be encouraged, the small, timber dependent communities that I represent cannot be sustained on tourism alone. Towns like Republic and Tonasket are never going to attract the number of tourists needed to sustain their economies. Anyone who doubts that should visit the communities of Mill City or Swisshome just south of here in Oregon.

Mr. Chairman, we can all debate whether or not the Forest Service is losing money on timber sales. It mainly depends upon what you classify as a cost to the program. But one thing is clear -- our national forests can and must be managed more efficiently and more effectively.

Recommendations

I have several recommendations that would move us toward that goal. First, Congress must pass legislation designed to protect the health of our forests. We must strike a responsible balance between commercial thinning and harvesting, and prescribed fires to reduce the fuel loads of our national forests. Second, we must stop using our scarce fiscal resources on projects that produce little public benefit, such as handpulling noxious weeds throughout the forests. Third, we must reform the Recreational Fee Demonstration Program to ensure that local users are not unfairly overcharged, and that the collected revenue is used locally, for the benefit of those who paid the fees. And finally, and this is a much longer term goal, we need to work on reforming NEPA, ESA, and other applicable federal statutes to clarify Congressional intent for the sake of our land managers, grazers, recreational users, and local residents.

I am sure you will hear several contrasting views today, and all need to be weighed carefully. However, I cannot stress to you enough the need to make common sense decisions, based on sound science, with the participation of local residents and officials. We need to replace shouting and screaming of national politics with the calm and measured voices of sound science and local community involvement.

Mr. Chairman, once again I'd like to offer my personal thanks to you and your staff for holding this hearing today to hear from the people most impacted by decisions made by the Forest Service. I look forward to hearing from all the witnesses today, and I hope the Subcommittee will leave today with a better understanding of what works and what doesn't for our forests and our rural communities.

Mr. HORN. Well, I thank you very much for that statement.

We are going to change the agenda a little, so that the people that were in panel three—or four, will start first. We are going to have to be flexible, given people's travel schedule, and I want to definitely start with the variety of opinions we will hear from panel four, which now becomes panel one, after Representative Hastings.

So if Mr. Richard Tingelstad, executive director, Free the Forests; Mr. Ron Mitchell, executive director, Idaho Sporting Congress; Mr. Scott Silver, executive director, Wild Wilderness; Ms. Mary Burke, president, Washington Cattlemen's Association; Ms. Sheila Kennedy, manager, Okanogan Noxious Weed Control Board; Mr. Maurice Williams, past president, Washington Farm Forestry Association; and Mr. Frank Gladies, president, Independent Forest Products Association. We have a sign for each of you and if you will just take seats in the order in which I read them off, we will simply go down. They are not in alphabetical order, but just who I guess was asked first as a witness—there is some logic somewhere, I think.

Now since this is an investigating committee, our tradition is two-fold. I will be swearing you in before you give testimony and we swear in everybody but Members, and I was even swearing them in for about a year, but the chairman of the full committee thought that was a little much, so we do not swear in Members any more, we just trust them, and they are trustworthy. Once they tell us something different, nobody ever listens to them. Doc knows that and I know that. So we tell the truth to our colleagues.

Now the other thing we do is we automatically put your written statement in the record the minute I introduce you when we go in sequence. We are going to give you 5 minutes apiece to summarize that statement. We would like to have more time for dialog and questioning, and you can be sure you will all end up getting 10 minutes apiece in terms of the questions.

We have one thing that might intervene and we might have to wait with the three last witnesses in the panel, and that is the inspector general of the Department of Agriculture, Roger Viadero, has to leave at 1, so we might put him on at 12:30, 20 of 1, and we will get back to the panel.

So if you would stand and raise your right hands.

[Witnesses sworn.]

Mr. HORN. The clerk will note that seven witnesses have affirmed the oath. So we will start with Mr. Richard Tingelstad, executive director, Free the Forests.

STATEMENTS OF RICHARD TINGELSTAD, EXECUTIVE DIRECTOR, FREE THE FORESTS; RON MITCHELL, EXECUTIVE DIRECTOR, IDAHO SPORTING CONGRESS; SCOTT SILVER, EXECUTIVE DIRECTOR, WILD WILDERNESS; MARY BURKE, PRESIDENT, WASHINGTON CATTLEMEN'S ASSOCIATION; SHEILA KENNEDY, MANAGER, OKANOGAN NOXIOUS WEED CONTROL BOARD; MAURICE WILLIAMS, PAST PRESIDENT, WASHINGTON FARM FORESTRY ASSOCIATION; AND FRANK GLADIES, PRESIDENT, INDEPENDENT FOREST PRODUCTS ASSOCIATION

Mr. TINGELSTAD. I thank you for this opportunity to testify Regarding the Recreation Fee Demonstration Program.

For years, we have extracted the bounty of the land by logging, grazing, and mining for economic reasons. Now that these resources have been depleted, Congress commits the same error in proposing a program such as fee demonstration, that industrial strength recreation will take the place of these uses, for monetary reasons, once again, in spite of opinions and biological studies indicating that recreation damages biodiversity more than any of these other activities.

Congress should not attempt to compensate for its managerial weakness in depleting our resources by pointing the finger of blame at Forest Service waste or by wringing every possible dollar from citizens who retire to the forest for solace.

The user fee demonstration project is one of a series of proposals to privatize and commercialize recreation on public lands. We are offended by the knowledge that the American Recreation Coalition, with member corporations Disney, Exxon, Chevron, and Suzuki, to name only a few, formed to promote the user fee concept without public knowledge, and succeeded and gained the opportunity to help evaluate the same program from which their members stand to profit in such style.

The health of the environment is especially threatened by the Forest Service's proposed commercial campground plans called private-public ventures. These plans encourage giant campgrounds with laundries, sewage dumps, recreation halls, minimum charges of $20 per site per night, run by private business interests within the national forest, potentially affecting remote areas which are among our last strongholds of biodiversity.

For many thousands of rural residents, the national forests, unlike national parks, are their backyards. Many drive through the forests to work each day, families frequently picnic and camp down the road a few miles from home, many earn their livings in the forests. The idea of paying to walk or sleep on the good Earth in their own backyard is, to these people, inconceivable. Congress has lost sight of the fact that the American people are not the customers on, but the owners of our public lands.

One memorandum of understanding between the Western States Tourism Policy Council and nine Federal agencies states that they will work together to achieve the common goal of advancing the domestic and international public's awareness of the travel and tourism opportunities on the public lands, with an emphasis upon rural areas. Combined with the user fee concept, such documents cause rural citizens to wonder if this is not the beginning of the end of

their customs, culture, and way of life. Will we eventually be unable to afford to visit our own backyards as we watch international tourists come and go?

The Government betrays the people's spiritual happiness and national heritage by attempting to reduce even nature to a commodity. At the writing of our Declaration of Independence, the experience of nature would have been considered not a commodity, but a right to liberty and the pursuit of happiness, the right to walk and exist freely upon our public lands.

Therefore, I suggest that the user fee project, if continued, be the subject of environmental impact statement concerning the cumulative effects from corporate development, ski hills, destination resorts, theme parks, and concession campgrounds within our Nation's few remaining unspoiled areas. User fees have become a popular concept, but where will they lead? Will crime victims pay for investigations? Will firemen be paid by fire victims? Should only those with children support the public schools? Perhaps Members of Congress should pay user fees for office space, to increase the quality of their experience in Washington.

Free the Forest's petition to Congress currently with over 8,500 signatures, which I would like to present today, requests that Congress adequately fund maintenance of public lands without user fees. The parks and forests of our public lands are our Nation's crown jewels and should be treated as such. In their maintenance and preservation, the citizens of this country should be the beneficiaries, not excluded for the sake of corporate profit or international tourism. We expect that corporate interests might be disappointed, but considering public response as we have heard it, we respectfully suggest that the good of the public and the lands of our heritage are more important.

Mr. HORN. Thank you very much for that fine summary of your statement.

Mr. Ron Mitchell is executive director of the Idaho Sporting Congress. Mr. Mitchell, welcome.

[NOTE.—For review of the first 592 pages of the Petition Against User Fees On Public Lands, please see subcommittee files.]

[The prepared statement of Mr. Tingelstad and the information referred to follow:]

Testimony before the Subcommittee on Government Management, Information, and Technology of the House Committee on Government Reform and Oversight Thursday, July 9, 1998, Wenatchee Convention Center, Wenatchee, Washington

by Richard Tingelstad of Free the Forests, Twisp, Washington

Mr. Chairman and members of the subcommittee, the members and supporters of Free the Forests thank you for this opportunity for testifimony regarding the Recreation Fee Demonstration Program.

We hold these truths to be self-evident, that all men are created equal, that they are endowed bytheir Creator with certain unalienable rights, that among these are life, liberty, and the pursuit of happiness. That to secure these rights, governments are instituted among men, deriving their just powers from the consent of the governed. That whenever any form of government becomes destructive to these ends, it is the right of the people to alter or to abolish it, and to institute new government, laying its foundation on such principles and organizing its powers in such form, as to them shall seem most likely to effect their safety and happiness.

We are here to alert Congress that, by our own judgment, by the judgment of over 8,600 signers of a petition to Congress mostly from rural areas, and by the judgment of many other citizens who have contacted us, the Fee Demonstration Program is destructive to the liberty and the pursui of happiness of those of us who live among the National Forests and other public lands. It threatens to rob future generations of the privileges we have experienced in freely existing in our mountains, deserts, forests, grasslands, and shorelines. We take this opportunity to state that alteration is imperative should the government wish to maintain the confidence of the citizens affected by this program and to re-convince them that the government cares to promote their safety and happiness.

The government is currently and historically shortsighted in basing land use decisions purely upon economics.

It is the United States government's responsibility to operate in a manner which effects the safety of the people. Historically, the Congressional mandates to the Forest Service requiring them to maintain a required level of log production each fiscal year has led to the mining of our forest ecosystems. National Forests unable to produce this cut, particularly during the Reagan years, resorted to "highgrading," a practice which selects the healthiest and most vital trees for harvest. This practice has left the forests in a genetic and biological shambles, necessitating decision documents such as the current controversial Interregional Columbia Basin Ecosystem Management Plan, which debates the lesser of two evils - whether to simply leave the forests alone to heal themselves, or to depend upon man's expensive restorative efforts to save them. Without healthy forests, the purity of air and water, biodiversity, and ecosystem balance upon which the food chain and health and of the people depends cannot be maintained.

Our government has failed to look beyond economics to protect the welfare of the people. For years we have extracted the bounty of the land by logging, grazing, and mining for economic reasons. Now that these resources have been depleted, we commit the same error in deciding through programs such as Fee Demo that Industrial Strength Recreation will take the place of these uses - for money reasons once again - in spite of opinions and biological studies which indicate that recreation is more damaging to biodiversity than any of these activities. See Bio-science (volume 46, pages 446-7) by Elizabeth Losos of the Smithsonian Tropical Research Institute, et. al.

Our Congress should not "pass the buck" on responsibility for the public's health and happiness .

Congress should not shirk its responsibility for the public's health and environment by pointing the finger of blame at Forest Service waste or by wringing every possible dollar from citizens who retire to the wilderness for solace, in an attempt to make up for lack of federal foresightedness.

Neither should Congress abdicate this responsibility by passing it on to Corporate America. Safety of the people's healthy environment is especially challenged in the government's plans for Private/Public Ventures (a spin-off of the Fee Demo concept of commercialization of the Forests), in which giant campgrounds with amenities such as laundries, sewage dumps, and recreation halls, run by large recreation-oriented corporations, would be encouraged deep within the National Forest, affecting remote areas which are the last strongholds of biodiversity and endangered species important to the human environment on our continent. (See the USFS Private/Public Ventures Desk Guide, July, 1996, File Code 2300/7100.) In fact, we are highly offended by the knowledge that the American Recreation Coalition formed in part to promote the user fee concept and succeeded, and even more offended that this group of for-profit corporations (Exxon, Walt Disney, American Hot Rod Association, etc.) could gain the opportunity to "evaluate" such a program from which their corporate members stand to profit in such style.

The government betrays its people's spiritual happiness by reducing even nature to a commodity through the Fee Demo program . . . .a commodity for which the people must now work harder and even longer hours, a commodity which, at the writing of our Declaration of Independence, would have been considered not a commodity, but a right to liberty and the pursuit of happiness . . . the right to walk and exist freely upon our pubic lands.

Understanding the difference between national parks and national forests is essential to understanding Fee Demo.

The two major agencies implementing Fee Demo are the Forest Service (Dept. of Agriculture) and the National Park Service (Department of Interior.) We strongly object to the recent escalation of fees in National Parks to the point where visiting the National Parks is becoming an exclusive activity affordable only to the upper middle class, the wealthy, and international tourists.

We object even more strongly, however, to fees in the National Forests outside of developed campgrounds. Unlike National Parks, National Forests are not centered around distant and spectacular points of tourist attraction which are destinations for a vacation. The National Forests have long been a refuge for freedom-lovers: those who decline to battle the crowds, permitting procedures, and rigidly scheduled adventures required by the National Parks. Hundreds of rural communities border or are surrounded by our National Forests. For thousands of rural residents, the National Forests are in their back yards. They drive through the Forests to work each day Many earn their livings in the Forests. Families regularly picnic and children camp down the road a few miles from home. Many have ridden their horses and walked on the trails for generations. For these people, "Nature is not a place to visit, it is home. . . " (poet Gary Snyder) The idea of paying to walk or sleep on the good earth in their own backyard, is, to these people, inconceivable.

And for the cross-country traveler, this program has killed all sense of spontaneity and the freedom to move freely about in this way. One must research ahead of time which Parks or Forests have implemented a fee program, find out what types of activities require permits in each separate area, figure out how and where to acquire a permit ahead of time for each area, or risk the chance of using the Park or Forest illegally by accident or through necessity, should one decide to make a spontaneous trip. Rather than Land of the Free, the USA has become Land of the Fee.

Data from the Fee Demo project does not appear to be reliable. The data does not distinguish between willingness to pay and payment due to intimidation.

Members of Congress should be aware that the data presented by the Forest Service from this "experiment" would not stand up to any scientific standard. Since we are most familiar with the Okanogan program, we will use it as an example of why the data which has been and will be presented should not be taken at face value.

The program has been described as an experiment to determine what the public is willing to pay for recreation. The data that is being taken, however, describes how many DO pay rather than how many ARE WILLING to pay.

1. Many do not pay, have received multiple warnings, and do not appear on the record as opposing the program because they do not receive a citation.

2.Those who do buy a permit, even if they do it unwillingly and only to avoid breaking the law, are counted as data in favor of the program.

3. The warning tickets which are issued are unnecessarily intimidating, stating that the violator will be in violation of the Code of Federal Regulations if a permit is not purchased retroactively. Consequences or alternatives are not revealed. If the offender is sufficiently intimidated and pays, he or she is counted as data in favor of the program, even if paying unwillingly.

4. The intimidation employed to "encourage" people to pay is apparently without basis, so it is not a fair measure. Although the Okanogan National Forest has publicly stated that they expected better compliance during the summer of 1998 because of increased enforcement, the forest estimates that compliance at trailheads is still only about 50%, and there appears to be no enforcement.

5. The way the Methow/Okanogan program has worked, it has almost resulted in "bribery" of those who frequent developed campgrounds to favor the program. When the fee for overnight parking in the Methow District was instituted under Fee Demo, the existing higher nightly fees for developed campgrounds were dropped. Now a camper who stays in a developed campground in the Methow District pays the same as someone stopping to sleep in his car alongside a Forest Service road or camping in a spot with no fire ring, water, or toilets. Of course the users of the developed campgrounds are thrilled to be paying less than they were before the program, so they willingly buy a permit and are counted as data in favor of the program. And it is not difficult to figure out that the lower income and less vocal forest patrons are feeling the pinch.

The Okanogan National Forest Fee Demo program is an example of a program which does not appear to be financially successful.

According to documents received from the Okanogan National Forest in March of 1998, the total income received from the Okanogan Pass was $75,722. This did not take into account adjustments for vendor refunds or for the $40,500 which was at that time to be returned to the Treasury; and Okanogan's share from the Regional Pass was unknown at that time. For start-up costs, $91,000 was requested and $75,000 was allocated. A valid question might be how the program will survive when start-up funds are no longer being allocated.

An understanding of the difference between rural and urban areas is essential to understanding problems of this program.

The data being given does not account for the effects of the differences between urban and rural areas. For example, the Mt. Baker -Snoqualmie National Forest gains substantial income from

those who buy their permits in Seattle, even though these outdoorsmen may recreate in different parts of the Region. Because of their higher income from the fees, the Mt. Baker-Snoqualmie has done more than the usual number of trail improvements recently. Residents of Seattle have seen some of these trail projects in the Mt. Baker, close to home, and are impressed and sometimes disposed to comment favorably upon the program when they visit the Okanogan. They do not realize that Fee Demo is not having this effect upon other National Forests, but their opinions count for alot since they greatly outnumber rural Forest users.

Rural residents have frequently chosen to forego more lucrative employment to live near the Forests, where outdoor recreation has been affordable on a low budget. But now rural residents are supposed to pay, and pay equally, with those who visit on their 2-week vacations from lucrative jobs in the city. Rural America is a minority that must be considered regarding this program. Like any minority, they are at a disadvantage in being heard.

Finally, various Memoranda of Understanding between government agencies and the private sector seem to indicate movement in directions of which the people have had no knowledge and in which they have had no voice. One such MOU between the Western States Tourism Policy Council and nine government agencies states as its purpose: "The agencies and the WSTPC desire to work together to achieve the common goals of advancing the domestic and INTERNATIONAL public's awareness of the travel and tourism oportunities on the public lands. . . . .WITH AN EMPHASIS UPON RURAL AREAS. Combined with the User Fee concept, an MOU such as this causes rural citizens to wonder whether at some point we will suffer the same fate as indigenous people in third world countries, unable to afford "recreational opportunities" in our own backyard as we watch international tourists come and go.

Has Congress considered the logical conclusions of the User Fee concept?

User fees have become a popular concept, but how far does this concept go, and where does it lead? Will Users eventually support the public libraries? Will crime victims pay for criminal investigations? Will firemen be paid by fire victims? Should only those who have children support the public schools? Perhaps Congress could pay User Fees for office space while in session, to increase the quality of their experience in Washington.

Suggestions for Forest Income

We offer the idea that many people would more willingly pay a voluntary fee, which would avoid the expense of a mandatory program and the bitterness it has created amongst taxpayers who use the forests.

A US Forest Service employee suggested to us an option on income tax forms whereby tax payers could choose to have $1 of their tax money go toward maintenance of our public lands.

The Free the Forests petition to Congress requests that Congress re-evaluate its priorities and adequately fund maintenance of our public lands. The Parks and Forests of our public lands are the crown jewels of the United States of America and should be treated as such. And in their maintenance and preservation, the citizens of this country should be the beneficiaries, not excluded for the sake of international tourism.

We feel that if Congress so chose, the intellectual resources could be found to come up with other creative ideas which would be much more acceptable, equitable and efficient than the Fee Demo program. We would expect that private corporate interests might be disappointed, but we respectully suggest that the good of the public and the lands of our heritage are more important.

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Petition Against User Fees On Public Lands

(15)

We, the undersigned, object to the proposed collection of additional user fees (for parking, hiking, camping, riding, etc., Public Law 104-134) outside developed campgrounds on our public lands (U.S. Forest Service, Bureau of Land Management, U.S. Park Service, U.S. Fish and Wildlife) for the following reasons:

* As U.S. citizens, we have already paid taxes for professional management of our public lands.

* Once fees are implemented, history has shown they increase over time. While proposed fees may not seem extravagant to some now, we have watched fees at other sites, i.e. National Parks, double in one year.

* We believe it is the right of all Americans to have free access to these lands, not the right of only those who can afford to pay fees.

* We believe it is unlikely that the planned fee program will benefit these public lands. History shows fees returning to the general fund once a fee program is established. Despite claims that money will return to the site where it was collected, Congress historically cuts the agency's operating budget by the same amount as the amount of fee money returning to the site.

* We oppose plans to charge users of backcountry and undeveloped areas to pay for development of campgrounds and "front country" they are not, and may have no intention of, using.

* We believe that Congress should re-evaluate its priorities and allocate sufficient funds for the proper management of these cherished resources, held dear by all Americans.

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1. [signature]	Curtis A. Perl	515 S. Ingalls, Powell	
2. [signature]	Terry A. Duncan	P.O. Box 382 Powell WY	
3. [signature]	Dave Pollock	319 33RD Cody	
4. [signature]	Aaron Wilkins	749 ave K Powell	
5. [signature]	Ray Allen	452 Rd. 8 Powell	
6. [signature]	Geoff Slates	625 Rd Cheyenne Ky	
7. [signature]	LaDale Goforth	222 S. Jones	
8. [signature]	Jack L. Dykstra	336 N Day Powell Wy	
9. [signature]	Brad Christiansen	356 N. Cheyenne Apt. #2	Powell, WY
10. [signature]	Kent Strausheim	1513 Draw St. Cody Wyo	
11. [signature]	Mary Roemmich	P.O. Box 197 Deaver Wy	
12. [signature]	John E. Roemmich	P.O. Box 197 Deaver Wy	
13. [signature]	David P. Moore	Box 214 Meeteetse	
[signature]	Shanna Shorb	957 Ray Ct Powell	
15. [signature]	Danny Shorb	951 Ray ct. Powell	

Mail when full or by 11/15/98 to: Petition, Box 1324, Twisp, Wa. 98856. Copy and distribute. Additional copies: Above address or 509-997-4425. Drive continues thru end of test program.

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Petition Against User Fees On Public Lands

(90)

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*We believe that Congress should re-evaluate its priorities and allocate sufficient funds for the proper management of these cherished resources, held dear by all Americans.

SIGNATURE	PRINTEDNAME	ADRESS	E-MAIL
1 [signature]	Tim Metzler	1068 Val. Rd	
2 [signature]	Butch Sammons	709 Ln 11 Lovell WY	
3 [signature]	Eric H. Loloff	1095 Ln 11 Powell, Wy	
4 [signature]	[illegible]	747, Road 8 Powell, Wy	
5 [signature]	Jean Voege	621 N Bernard Powell, WY	
6 [signature]	Barbara Laughlin	747 Rd 8 Powell, WY	
7 [signature]	Bill Chapman	1041 Rd 12 Powell Wy	
8 [signature]	Bruce Fauskee	575 Rd 12 Powell, Wy	
9 [signature]	James A. Shurb	951 Ray Ct. Rt. Powell, Wy	
10 [signature]	Thomas E Faulkner	1048 Lane 11 Powell, WY	
11.			
12.			
13.			
14.			
15.			

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595

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SIGNATURE	PRINTED NAME	ADDRESS	e-mail
1. Candy Clark	CANDY CLARK	BYRON, WY 82412	
2. Bill Clark	Bill CLARK	BYRON WY 82412	
3. Todd Hall	Todd Hall	Cody WY 82414	
4. Patrick B. McKay	Patrick B McKay	Powell, Wy 82435	
5. Tom McCauley	Tom McCauley	Powell WY 82435	
6. Jim Johnson	Jim Johnson	Powell Wy 82435	
7. Carolyn J. Bettis	Carolyn J. Bettis	Powell, WY 82435	
8. Richard Preuninger			
9. Deb Nielsen	Deb Nielsen	Powell	
10. [illegible]	BLAZE Mueller	Powell	
11. [illegible]	Stephanie Harwood	Powell	
12. Jim Nalley	Jim Nalley	3721 Hwy 114 Deaver WY 82421	
13. Bart Kolacny	Bart Kolacny	1297 Lane 10	
14. Kevin Mayfield	Kevin Mayfield	Cowley WY	
15. Sandra Mayfield	Sandra Mayfield	Cowley WY	

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SIGNATURE	PRINTED NAME	ADDRESS	e-mail
1. [illegible]	Neale Blank	965 Ray Crt. Powell	
2. [illegible]	Lieser Ginger	1087 Ave J - Powell	
3. [illegible]	Nevin Jacobs	503 Ave B - Powell	
4. [illegible]	JOHN LEHMAN	333 S JONES ST Powell	
5. [illegible]	JANET K. MURR	P.O. BOX 486 - POWELL	
6. [illegible]	JOHN F WETZEL	350 W. 5th ST Powell	
7. [illegible]	Mike Moore	936 Crestview, Powell	
8. [illegible]	Jack Osburn	P.O. Box 913 - Powell	
9. [illegible]	JOHN L. OLSEN	517 So. Hemlock St. Powell, WY 82435	
10. [illegible]	NATHAN SAVILLE	564 BENT, POWELL, 82435	
11. [illegible]	Tim Kindred	969 Rd 9 Powell, 82435	
12. [illegible]	Bill Winters	940 E. South St. Powell 82435	
13. [illegible]	Gene Gheisser	1120 Lane 6 Powell Wy 82435	
14. [illegible]	LaFollette	202 Lx 17 Cody Wyo 82414	
15. [illegible]	Josh Cossitt	491 S Ferris Powell Wy 82435	

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	SIGNATURE	PRINTED NAME	ADDRESS	e-mail
1	Kermit D. Jacobs	Kermit D Jacobs	413 S. Clark	
	Kenneth R. Price	Kenneth R. Price	1510 Lane 14	
3	Spencer Smith	Spencer Smith	605 Hwy. 114	
4	Ramon Rodriguez	Ramon Rodriguez	456 N Absaraka	
5	Wayne Nielsen	WAYNE NIELSEN	875 Rd 6	
6	Robert A. Harder	ROBERT A. HARDER	1053 Ln 11 1/2	
7	David O Newman	David O Newman	333 So Jones #48	
8	Robert McKay	Robert McKay	48 Quincy Blvd. #148	
9	David O Newman Jr	David O Newman Jr	333 South Jones St	
10	Gary W. Lynn	Gary W. LYNN	931 SADDLE CT - Powell	
11	Richard C. Locke	Richard C. Locke	1021 Rd 9 1/2 Powell	
12	James Seckman	James Seckman	675 Rd 9 Powell	
13	Doug Schweigert	Doug Schweigert	413 Beartooth	
14	Gary Becker	GARY Becker	109 Hwy 114	
15	Tanya Becker	Tanya Becker	109 Hwy 114 Powell	

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SIGNATURE	PRINTED NAME	ADDRESS	e-mail
Lila P Campbell	Lila P Campbell	58 Ln 2½ Frannie	
2 M. Armstrong	Millie Armstrong	Box 21 Frannie	
3 [illegible]	BRAD RUWARD	223 S. GILBERT POWELL	
4 Jeff Parker	Jeff Parker	1176 Rd 4 Powell	
5 [illegible]	Sheldon Flom	424 Ln 3rd Powell	
6 Wes Meeker	WES MEEKER	Box 25 Emblem	
[illegible]	Shane Skalsky	552 Ave. G	
8 Eric Lentsch	Eric Lentsch	775 Ln 11	
9 [illegible]	[illegible]		
10 Dennis L O'Brien	Dennis L O'Brien	12050 Dickie Kirby	
11 R H Goodwill	R.H. Goodwill	598 Lane 1 Powell Wy.	
12 [illegible]	MIKE COWIER	1789 EAGLEWEST TR. POWELL WY	
13 Carl Pfeffer	CARL PFEFFER	465 N. CLARK POWELL, WY	
14 J. C. Haney	Dolan Haney	" "	
15 Eilene	Harmon	725 Lane 11½ Powell	

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SIGNATURE	PRINTED NAME	ADDRESS	e-mail
1. [signature]	Jeff Parker	1176 Rd 4 Powell Wy	
2. Teresa L. Cozzens	T. Cozzens	945 E Jefferson, Powell	
3. [signature]	Mike Hauser	2327 US Hwy 20 S Reybull Wy	
4. [signature]	Joel Zieger	62 Green Co Rd Wapiti Wy	
5. [signature]	Gary Mills	716 Lall Powell Wy 82435	
[signature]	Jerome C. Asay	1620 Hwy 32	Powell
7. [signature]	Monte R. Asay	306 N. Cheyenne St Powell	
8. [signature]	Greg Price	690 Rd 18 Powell	
9. [signature]	A.C. Lesher	PO Box 302 Byron	
10. [signature]	Lee M. Hohnhorst	357 Canyon Rd	
11. [signature]	Lyle Rodgers	407 S. Hamilton	Powell
12. [signature]	Robert L. Ray	1420 Road 19	"
13. [signature]	Jeremy Adams	365 S Evarts	Powell
14. [signature]	Jon A. Rios	747 N Absaroka Apt 5	Powell
15. [signature]	Dan Dalton	877 Rd 10 Powell	

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SIGNATURE	PRINTED NAME	ADDRESS	e-mail
1 Randy Lohrenz	RANDY LOHRENZ	1474 LN. 14 POWELL WYO	
2 Gary D. Weaver	GARY D. WEAVER	311 S. HAMILTON POWELL WYO.	
3 Cathy Potts	Cathy Potts	1712 Rd 8 So Huntley MT	
4 [illegible]	Darold Newman	815 Rd 8 VE Powell wy.	
5 Richard L. Siler	Richard L. Siler	506 Cary Powell, Wyo.	
6 Dale Hartman	Dale Hartman	Box 884 Lovell Wy	
7 Cathie Nunn	Cathie Nunn	400 Lane 9 Lovell, Wy	
8 Austin Marchant	Austin Marchant	1129 Rd 14½ Lovell, WY	
9 Ron Knapp	RON KNAPP	958 SOUTHFORK Cody, Wy.	
10 Dennis Shore	DENNIS SHORE	824 LANE B, POWELL, Wyo.	
11 Max Bischoff	Max Bischoff	Box 125 Burlington	
12 Deb Churchill	Deb Churchill	761 Rd 10 Powell	
13 Lyle Bischoff	Lyle Bischoff	827 Ln 6¾	
14 Norene Foulger	NORENE Foulger	872 Riverside Dr.	
15 Rhonda Johns	Rhonda Johns	365 N. Ferris Powell	

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Travis Landers 15 Canyon Rd. Clark Wyo. 82435

PETITION AGAINST USER FEES ON PUBLIC LANDS 601

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****

SIGNATURE	PRINTED NAME	ADDRESS	E-MAIL
1. Jennifer Cline	Jennifer Cline	P.O. Box 146 Frannie WY	
2. Marlene Harrison	Marlene Harrison	797 Hwy 14A Powell, Wy	
3. Greg Palmershain	Greg Palmershain	847 Lane 7 Powell	
4. [illegible]	Bob Hatcher	872 Johnson Ave	
5. R.H. Goodwin	R.H. Goodwin	598 Ave I Powell WY	
6. Jim Rambo	Jim Rambo	898 Rd 5 Powell Wyo 82435	
7. Ken Pulse	Ken Pulse	4662 Power Hy Cody Wy	
8. Vernel Wagner	Vernel Wagner	PO Box 2392, Cody, WY	
9. Jesse Bartnett	Jesse Bartnett	1515 Depot Drive Cody Wy	
10. Phyllis Trentine	Phyllis Trentine	Heart Mt., USA	
11. Cole Ando	Cole Ando	1277 Ln 10 Powell Wy	
12. [illegible]	Jerry Thayer	76 Rd 20 Cody	
13. Sandra S. [illegible]	Sandra Sue Lum Way	1026 Lane 10 Powell	
14. Bart Kolacny	Bart Kolacny	1297 Ln 10 Powell	
15. Carrie French	Carrie French	980 Road 22 Powell WY	

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SIGNATURE	PRINTED NAME	ADDRESS	phone or e-mail
1.	DAVID G. COOK	14263 E. 2310 VERADALE WA. 99037	924-0768
2.	FRED BALL	E. 2117 COURTLAND SPOKANE WA 99207	—
3.	D.E. GOSSETT	421 CLINTON	
4.	Rick Macad	13249 Rimrose Dr.	292-9644
5.	CARLA HUNTER	4314 N. VERCLER RD.	922-9823
6.	Julie Peterson	Julie Peterson	
7.	GLORIA WIENER	204 E. KIERNAN	484-1168
8.	Sue Fish	10522 E. Mansfield	
9.	M. Beer	S. 2105 Colvin Veradale	924-5830
10.	R. LAURIN	N. 1011 WRIGHT BLVD. LIBERTY LAKE, WA. 99019	927-4832
11.	S. BIPPES	16121 E. BERDY	928-7742
12.	E.F. YARNELL	3228 W. FAIRVIEW	328-8803
13.	Richard Williams	214 N. DAVISKA	926-8151
14.	DARREL B. JOHNSON	22406 E. WABASH OTIS ORCHARDS, WA. 99027	926-0328
15.	DENNIS L. BUTLER	18414 E. ALGUESTA GREENACRES, WA 99016	926-2205

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PLEASE SIGN NEATLY IT ONLY COUNTS IF IT CAN BE READ

Mr. MITCHELL. Thank you. I have a photograph I would like to enter for the record. I believe you have two of them up there.

Mr. HORN. I hope we can print it, I do not think the Government Printing Office is up to it right now, but we will try to.

Mr. MITCHELL. We can provide smaller ones, they are less expensive. I will refer to that photo in a moment.

Mr. HORN. Well, we will put it in the record at this point, without objection, and then it is just up to the printers.

Mr. MITCHELL. OK, thanks.

[The information referred to follows:]

EXHIBIT A

Aerial photo of the West Side of the Payette National Forest, Idaho

Exhibit A Testimony of Ron Mitchell

Mr. MITCHELL. I am the executive director of the Idaho Sporting Congress, which is a citizens group that represents outdoor recreationists and some guides and outfitters, mostly hunters and anglers, and for 15 years I have worked full time as the executive director interacting with the Forest Service. I have a pretty good idea of what the agency can and cannot do. We spend a lot of time in Washington, DC, working with the Forest Service, testifying before Congress, and a tremendous amount of time in Idaho and Montana negotiating and sometimes having to litigate with the Forest Service on their management.

The National Forest System was established, as you stated earlier, Congressman Horn, for the benefit of the American people. Teddy Roosevelt was the prime moving force. The idea was to establish a public commons that would provide a continuous supply of water and a continuous supply of wood. Later on, there was additional legislation in 1970, the Multiple Use Sustained Yield Act, which recognized that there were other values that the American people wanted from their national forests, and so that was codified.

In 1973, there was a court decision called the Monongahela decision, and this came about because the forests of the Nation were being clear cut very severely and the court at that time came close to banning clear cutting, based on an 1800's law. There was a compromise struck and in 1976, Congress passed the National Forest Management Act, which ostensibly was going to make clear cutting just a rarity and exception, to be used only when it was the optimum logging technique. Hubert Humphrey, Senator Hubert Humphrey, rejoiced and said, "The day has come now when the forests are not just timber for lumber, but it is a living, breathing forest with all of its aspects recognized."

But it did not work out that way. The national forest plans began coming out in 1983, at about the time that I became involved in this work, and after 15 years under NFMA, clear cutting is now the major, and continues to be the major silvicultural tool of the U.S. Forest Service, at least in the West, where I am well acquainted with what is going on.

This photo that I have here is the west side of the Payette Forest. Now when I was a 15 year old boy—this is part of the Weiser River drainage—this was a fabulous trout fishing place with bull trout, rainbow trout, wonderful elk hunting, and there were no clear cuts. Today, the trout in this area are endangered, they have been listed under the Endangered Species Act, the bull trout. The rainbow trout are gone, the elk hunting seasons have been shortened from 3 months to about 1 week. The area has been devastated.

This brings us to the fee concept. We, the taxpayers, paid to have a small tiny portion of the American public-private corporations come in and devastate this and now we are being asked to pay fees to go to this kind of habitat. Yes, there are wonderful, beautiful areas, but there are many thousands, hundreds of thousands of square miles of land that have been decimated like this.

I think to make an analogy that really crystallizes this, the whole fee proposal is as if Congress were saying to the American people, tell you what, we are going to charge you a fee to get into the national parks—that sounds reasonable—but when you get

there, you are going to find out that we have also taxed you previously to go in and destroy the fish and the wildlife and the scenery and the hunting and fishing values that you are coming to the park and that you are now paying a fee to see. That is a crazy deal, but that is really the situation that we are in now.

The Forest Service hopes to raise $40 million this year through the fee program. That amounts to about 2 percent of the $2 billion out of the Forest Service's $3.3 billion budget that goes to support the timber program. We could cut 2 percent from the timber budget and gain the $40 million that they want to get from the fee program.

And to close, I want to say that I think that things are really out of kilter here. We need to take a long-term perspective and end the subsidy for the tiny minority of timber and grazing entities that are destroying our national forest values—end that subsidy. We will then find that maintaining the other amenities of the forests is not all that difficult and is not all that expensive. I do not believe that the Forest Service can manage a fee program. They have proven over the past 15 years to me and before Congress in numerous hearings and General Accounting reports and inspector general reports, that they are entrenchantly operating on an illegal basis.

I have included an addendum which illustrates some of the ongoing corruption within the Forest Service. It demonstrates what their own chief law enforcement, John McCormick, said in 1992, was that they were an outlaw organization. There is also a report by one of your colleagues—the report is not enclosed but I do refer now to a report by Carolyn Maloney, that has been done on an inspector general report, and she does have that and it does confirm many of the allegations that we make in our addendum. At least, that is my understanding.

Thank you.

Mr. HORN. That will come up when the inspector general testifies.

Mr. Silver, Scott Silver is executive director of Wild Wilderness. Welcome.

[The prepared statement of Mr. Mitchell follows:]

IDAHO SPORTING CONGRESS
P.O. BOX 1136 BOISE, ID. 83701 (208) 336-7222 FAX: (208) 336-2129 e-mail: iscadd@rmci.net

Testimony of Ron Mitchell before the
House Subcommittee on Government
Management, Information and
Technology, July 9, 1998

My name is Ron Mitchell, residing at 1808 N. 11th Avenue in Boise, Idaho. I am here representing the Idaho Sporting Congress, of which I have been the Executive Director since 1983. During those 15 years the Idaho Sporting Congress has worked full-time on National Forest issues. We commented on and appealed the first forest plans issued in the West after the passage of the National Forest Management Act in 1976, appealed many timber sales, negotiated in Washington D.C. with representatives of the timber industry over final forest plans and wilderness legislation, testified before Congress on numerous occasions, and have litigated against Forest Service logging plans.

Most recently we won two lawsuits in March, 1998 in which the Ninth Circuit Court of Appeals ruled that the United States Forest Service (USFS) violated the National Forest Management Act and the National Environmental Policy Act (NEPA) by logging old growth forest, and by proposing to log without first revealing damage to fish habitat.

In short, the Idaho Sporting Congress and Forest Service have become practically attached at the hip, and we are all too aware of the agency's behavior and what can and cannot be expected of it.

The issue of charging the public fees to use National Forest System (NFS) lands is a stop-gap concern over a short-term interest in cutting federal spending. The issue should instead be addressed from a long-term perspective.

What is the principle underlying the current funding scheme of general federal revenue support? Should that principle be replaced by another? And if so, under what conditions and to what extent?

The NFS was established at the turn of the century as a response to deforestation and consequential flooding and loss of sustainable timber supplies . The stated purpose of establishing legislation was to create a public commons to provide a continuous supply of timber and regular flows of water for the nation.

The NFS's chief proponent, President Theodore Roosevelt also understood its value for wildlife and citizen enjoyment, and was intimately acquainted through hunting and fishing with many of the forests he set aside for future generations.

In the legislative aftermath of the original enabling legislation it has long been judged that a multiple-use management policy merited funding from all users, i.e. funding from general appropriations. All pay, all benefit.

However, it is indisputable that, at least since about 1950, the NFS has been managed as a timber producer for private

corporations. And all of the people have paid to support the NFS's management for the nearly exclusive benefit of a tiny minority of the American citizenry.

This inequity is currently at the most severely skewed ratio in our history, with about 3% of the nation's timber supplied by the NFS, while that portion of the NFS's budget consumes--if all timber support is truly included--about 60% of the funding.

If the funding formula is to be changed, if the principle that all the citizenry benefits equally is in question, and therefore equally shared funding should change, basic questions of equity must be answered at the outset.

If a fee-funding principle replaces general funding, then all users should be equitably charged fees that cover all costs. Timber users should be assessed fees that cover their costs, and fishing and hunting and sight-seeing users should contribute their absolute costs as well. That would be fair. And perhaps there should be a price break for elderly people on fixed incomes, and for children and orphanages and so on.

However, this is not what is being proposed and tested on a trial basis. The proposition is that we the general public continues to subsidize that tiny yet wealthy minority of timber, grazing and mining corporate interests, while also paying for our own use.

Such a formula violates not only sophisticated principles of jurisprudential legal equity, but more basic human principles of fairness that school children learn on the playground.

It is clear fact, established in numerous public scrutiny documents, from Congressional committee hearings such as this one, to General Accounting Office and Inspector General reports and citizen oversight reports, and indeed from confessional fiscal reports wrung by congressional outrage and insistence from the USFS itself, that industrial users--that is the grazers, loggers and miners--are not paying the costs of providing for their use, and documented abuse of the NFS.

Furthermore it is indisputable, indeed it is self evident form USFS admissions, that industrial users have dramatically reduced the NFS inventory of resources available for other users. In plain words, industrial users have, since World War II severely depleted not only the basic NFS resources of stable watersheds and continuous timber supplies, but most certainly decimated fish, wildlife, recreation, wilderness and scenic beauty, which comprise the greatest numerical and economical uses of our national public forests. And the USFS acknowledges that these uses will become even more valuable in the very near future.

This situation represents bankrupt social and fiscal policy.

Therefore, if an equitable new formula is to be adopted, based on fees, it should require each user to bear their true costs, and in keeping with Roosevelt's public commons concept, no user should diminish the other user's resources.

However, this has not been achieved, as I have stated, by the USFS to date. And frankly, its achievement is not possible. Given the character of NFS lands, conflict between sustainability of

water, timber, fish and wildlife etc.1 versus timber, grazing and mineral extraction are unresolvable.

NFS lands are mostly higher elevation, those "left over" after the best grazing and timber lands were acquired by private interests through outright purchase and railroad landgrant giveaways. They are highly suited to producing fish and wildlife,k spectacular scenery, wilderness and recreation, but they do not generally produce high quality grazing or timber on a sustainable basis. And that is quite simply why their exploitation, even after the product is sold on a commercial market, must be subsidized by the vast majority of the American public, through Congressional appropriations.

The Idaho Sporting Congress opposes the current fee proposal because, as a public commons for the American people, just as is the National Park System, it is a major component of our national infrastructure and heritage, and as such it should be supported by general funding.

But should this committee decide to institute a fee schedule, it will surely consign the NFS to inequitable mismanagement due to another indisputable, omnipresent fact: the USFS which would manage such a system is indefatigably, unalterably corrupt. The USFS cannot manage in conformity with the law.

To garner revenue from fees charged for a certain use would cause the USFS, as it has with timber management, to emphasize those highest fee-producing activities over the other uses in probable violation of the principles of multiple use and the basic principle of public commons equality-of-use.

For instance, as in timber extraction, if motorcycle use temporarily increased in popularity, new motorcycle facilities would be constructed and promoted to the detriment of fishing and hunting, endangered species protection, and wilderness--actually an existing problem.

Or hunting and fishing would be emphasized to the detriment of other uses. The fact is, given a use-specific monetary incentive to increase revenues to enhance a bureaucracy, the USFS is certain to do so.

We favor not such a Disneylandesque playground catering to current entertainment or exploitation whim, but one managed under broader principles--many of which the USFS is supposed to be implementing today. We favor reform of current management through legislation such as the Act to Save America's Forests, which would end logging abuse, and provide a sustainable, natural forest system for generations to come.

Lastly, the USFS is far too corrupt to administer any Congressionally mandated programs within the dictates of federal laws, let alone State and local.

The USFS 's truly abysmal record of failure to comply with the laws of the land has been amply demonstrated over the past decade. Indeed, recent USFS Chief Jack Ward Thomas responded to the damning mountain of evidence by issuing upon his appointment his famous directive that all employees henceforth "obey the law, tell the truth and implement ecosystem management."

The Forest Service's past own chief law enforcement officer, John McCormick testified before Congress that the USF was a "public sellout" that had become "comfortable with lying to the public." See appendix A.

I have also attached in an addendum documentation of very recent USFS illegalities that are prototypical, not atypical of the agency's usual mode of operation. Without exposition, I'll say that this information demonstrates a continuation de rigeur of the blatant lawbreaking referred to by McCormick, abuses that include preconceived and management-ordered lying to the public, refusal to provide information under the Freedom of Information Act, illegal expenditure of funds, and refusal to perform promised mitigation for environmental damage. As you will read, these current abuses extend all the way to the Chief's office.

This information serves to underscore that the USFS is an agency that has lost public trust, has practically no integrity, and must be dismantled. It is too inbred with a logging-extraction ethos to ever manage within the confines of the law, including any fee system.

In closing, it is the opinion of the Idaho Sporting Congress that the National Forest system should continue to be funded from general revenues, and that fee schedules, while justifiably applicable on a very small scale through campground fees etc, would be an inequitable means to fund general forest management given current management reality--a reality described by this analogous proposal:

> The National Park System should henceforth be financed by general public user fees, but while we (the U.S. Government) charge fees, we will also use your general tax dollars to subsidize the logging, grazing and mining destruction of the the very resources you visit the parks for, i.e the scenery, fish and wildlife, wilderness, etc.

What child on the proverbial schoolyard playground would contract to such a deal?

Before Congress proceeds with a fee concept it should first right the wrong of current extraction industry destruction at taxpayer expense through passage of the Act to Save America's Forests and other legislative means.

Thank you for your consideration.

Ron Mitchell

Ron Mitchell
Executive Director

RM/sd

Mr. SILVER. Thank you. It is my honor and pleasure to have been given this opportunity to speak before you this morning. In recent months, I have addressed conferences and meetings all around the country on the subject of the Recreation Fee Demonstration Program, and have given numerous interviews to the national press. I have used these many opportunities to express the view of Wild Wilderness that fee demonstration is little more than a national referendum intended to demonstrate that the American public is willing to pay for things that once were considered amenities. More important than this, I have listened to the concerns of hundreds of land managers, scores of environmental activists, and dozens of news reporters. I know what these people are saying about fee demonstration, and it is not what you are being told about this program through official channels.

Fee demonstration is not an effective solution to the problems of deferred maintenance and infrastructure decay occurring upon our Nation's public lands. Fee demonstration is simply not working in the way that its promoters claimed it would. No matter how often Undersecretary Lyons, Chief Dombeck, or Chief Operating Officer Pandolfi say that Americans enjoy the new pay-for-play paradigm, the truth is this program is widely unpopular and largely unsuccessful.

I am continually hearing from Federal land managers that when introduced, fee demonstration was embraced as a way to supplement shrunken operating budgets. The idea that fees would be collected and used locally was music to the ears of managers whose operating budgets had already been cut below the levels necessary for even routine maintenance.

But within 1 or 2 years of joining the Fee Demonstration Program, these managers have discovered that their allocated budgets have continued to drop. Instead of fee demonstration becoming a source of supplemental revenue, fee demonstration is becoming their primary source of revenue. Let me illustrate this point with an example from the Bend-Fort Rock Ranger District of the Deschutes National Forest. This forest is located in central Oregon and it is here where our organization has been an active participant in recreational issues since 1991.

At the time the Deschutes National Forest joined the Recreation Fee Demonstration Program in 1997, they received $134,900 to allocated funding from regional headquarters for the combined categories of wilderness and nonmotorized recreation. In 1998, that figure was reduced approximately $40,000 to $94,200. But thanks to fee demonstration, $40,000 has been added back to the budget and is now available for trail maintenance and repair work.

In this specific example, fee demonstration replaced penny-for-penny only as much money as was cut from the budget since this national forest joined the Recreation Fee Demonstration Program. This story is being repeated on forests throughout the country.

As the Forest Service transitions from being a provider of natural resource products to being a provider of recreational products, it is simultaneously being weaned off allocated funding and being forced to become dependent upon moneys generated from user fees and other innovative sources. With local land managers beginning to realize that they are being given no option but to create, market,

and sell profitable recreational products in order to stay in business, a whole new understanding of the true purpose of fee demonstration is coming to light. Similarly, a growing number of forest users—that is us, the people—are starting to question whether they wish to see recreational and public lands developed along current lines.

America's public lands belong to its people. We are the owners of these lands, not customers, as we are being referred to with increasing frequency. Nature must not be converted into just another commodity that could be marketed to paying consumers. Nature is far too valuable for numerous ecological, spiritual, and recreational purposes, to be managed in the way currently proposed by Forest Service leaders.

It is clear that the U.S. Forest Service is in a state of transition and that the Forest Service of yesteryear will soon be little more than a memory. However, the new Forest Service policies aimed toward greater commercialization, privatization, and motorization of our public lands have been largely developed behind closed doors without public involvement and without the input of those on-the-ground land managers most familiar with the real issues and problems facing our national forests.

We would submit that now is the time to rethink the entire purpose and mission of the U.S. Forest Service and to do so in open and public debate. The Recreation Fee Demonstration Program is a perfect example of a poorly conceived, ineffective program, developed and promoted largely by private commercial interests and devoid of public good. America's public lands are a unique treasure and are an amenity of incalculable value. It is in the interest of all Americans to support and protect this remarkable asset, an asset that helps distinguish our country from that of every other country in the world.

I would like to deviate from my prepared speech just for one moment. I got involved in this approximately a year ago when I was in a Forest Service office and I picked up this brochure called Recreation Fee Demonstration Program, and I read everything that is normally spoken of the benefits of the fee demonstration, but when I got to the fine print, and it literally is fine print on the bottom of this document, my attention was perked on this subject. As a result of reading this paragraph, it has really become my life for the last year.

What I read was,

> The Forest Service's Recreation Fee Demonstration Program was developed in partnership with leading national recreational interests. Its implementation is occurring through a challenge cost-share partnership with the American Recreation Coalition [ARC]. ARC's efforts will include explanation of the fee program to the recreation industry and recreation enthusiasts as well as assistance in evaluation of the demonstration projects. For further information, contact the ARC.

Mr. HORN. Without objection, that pamphlet will be put in the record at this point.

Mr. SILVER. Thank you. I would like to include that and I would also like to include this one-page summary sheet.

We have studied the issue for approximately a year, we have developed a web resource on the Internet, which is at www.wildwilderness.org. And that is a resource that is now being

used not only by the public but by public land managers, Federal land managers, and now hopefully perhaps congressional staff might be aware of this. It is a resource for everyone.

Mr. HORN. What is the title on that document?

Mr. SILVER. The document here is called Things You Should Know About Forest Service Trail Fees, and this particular document is really just a flyer that we are circulating that lays out some of the specific issues that concern us about fee demonstration.

Mr. HORN. Thank you.

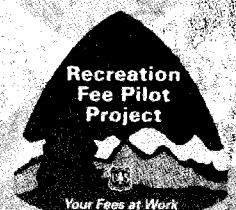
[The information referred to follows:]

Recreation Fee Demonstration Program

WELCOME TO YOUR NATIONAL FOREST.

This recreation area is managed by the USDA Forest Service, a Federal agency within the U.S. Department of Agriculture. The Forest Service is participating in a 4-year Recreation Fee Demonstration Program, authorized by Congress in 1996. The purpose of this program is to test the effectiveness of collecting fees to help maintain Federal recreation facilities and enhance visitor services and wildlife habitat. We think you'll agree that reasonable user fees are better than closed recreation sites and reduced services.

We encourage you to make comments and suggestions that will tell us if you support these fees – and let us know if you feel you've used your fees to improve the facilities and recreation opportunities that you enjoy.



Recreation Fee Pilot Project

Your Fees at Work

WHENEVER YOU SEE THIS SIGN YOU WILL BE ENTERING A RECREATION AREA THAT IS PARTICIPATING IN THE RECREATION FEE DEMONSTRATION PROGRAM.

NO POSTAGE NECESSARY IF MAILED IN THE UNITED STATES

BUSINESS REPLY MAIL

SECOND CLASS MAIL PERMIT NO. 14153 WASHINGTON DC

POSTAGE WILL BE PAID BY ADDRESSEE

USDA FOREST SERVICE
P.O. BOX 96090
WASHINGTON, D.C. 20090-6090

OFFICIAL BUSINESS
Penalty For Private Use $200

Things you should know...

... ABOUT FOREST SERVICE TRAIL FEES

- This fee is part of a 'Demonstration Recreation Fee Program'. If the demonstration is successful, you can count on more, and **substantially higher, fees in the future**.
- **Fee-Demo is NOT about generating funds for trail maintenance**. Congressional budget cuts created a maintenance crisis while funds specifically earmarked for recreation lands were diverted to deficit reduction.
- Implementation of this fee program was sponsored by a tightly knit group of recreation industry businesses. Their name is the **American Recreation Coalition (ARC)**.
- Revenues generated by these fees will be insignificant and could be diverted to non-trail related projects. We must ensure that Congress **restores adequate funding** to our parks and forests
- **Outright Privatization**, **private/public partnerships** and **additional user fees** are the chief means by which Washington would finance recreation in the future. Unprofitable parks, lakes or forests could be sold, given away, or subjected to intensive commercial development.
- **Unless we act quickly**, more public lands may soon be converted to private management. Once transferred, we may never be able to regain control of these properties. The Fee-Demo Program simply must fail, or we will be forced to live with the consequences.
- Intensively developed, motor-sport oriented, recreation is the vision for these lands. ARC is sponsoring this program to bring about nothing less than the **Disneyfication** of Nature. And yes, The Walt Disney Company is a sustaining member of ARC, is represented on ARC's Board and is committed to making **Industrial Strength Recreation** a reality.

Fee-Demo has Outdoorsmen crying: **'We Can't See the Forest for the Fees'**. Unfortunately, few Americans realize that we can put an end to user-fees if we act right now. Fee-Demo exists only to '*demonstrate*' that the public will accept the 'pay-for-play' concept. Big profits aren't expected from these fees. However government agencies must demonstrate that the public is willing to pay for amenities that once were free, otherwise the entire **experiment will fail**. The real money will come later through privatizing and commercializing our public lands, and that is why private corporations are so actively promoting this user-pay agenda. Try to picture these lands complete with 4 star resorts, theme-parks, jet-ski rentals, golf courses and guided trail rides into the adjacent Wilderness. This is the vision driving the Fee-Demo program. If this offends you, then you must speak up now. **Write or call** the following persons and tell them exactly how you feel. Send your local newspaper a letter to the editor. And please contact us or visit our Internet web site for additional information.

U.S. Forest Service Chief
Michael Dombeck
14th & Independence Ave. SW
Washington D.C. 20250
Phone (202) 205-1661

Senator Ron Wyden
U.S. Senate
Washington D.C. 20510
Phone (202) 224-5244
E-mail: senator@wyden.senate.gov

Representative George Miller
U.S. House of Representatives
Washington D.C. 20510
Phone (202) 225-2095
E-mail: gmiller@hr.house.gov

This notice was prepared by **Wild Wilderness**, an Oregon based grassroots organization since 1991.
For more information, or to obtain a free **No Trail Fee** sticker please contact us at:
248 NW Wilmington Ave., Bend OR 97701 (541) 385-5261 (internet: www.wildwilderness.org)

(Please Copy This Flier and Distribute it Widely)

Mr. SILVER. I hope you will agree that it is the duty of Congress to ensure that the U.S. Forest Service is a good steward of these lands and that they will forever remain a legacy of all the peoples of our Nation. I thank you for giving me this opportunity to plead my case before you this morning.

Mr. HORN. Thank you very much.

Our next presenter is Mary Burke, who is the president of the Washington Cattlemen's Association. Welcome.

[The prepared statement of Mr. Silver follows:]

Wild Wilderness

Testimony by Scott Silver, Executive Director, Wild Wilderness to the Subcommittee on Government Management, Information and Technology of the House Committee on Government Reform and Oversight, on the US Forest Service's Management Practices given on July 9, 1998 at Wenatchee Convention Center in Wenatchee, Washington.

It is my honor and pleasure to have been given an opportunity to speak before you this morning. In recent months I have addressed conferences and meetings all around the country on the subject of the "Recreation Fee Demonstration Program" and have given numerous interviews to the national press. I have used these many opportunities to express the views of Wild Wilderness that Fee-Demo is little more than a national referendum intended to demonstrate that the American public is willing to pay for things that once were considered "amenities". More important than this, I have listened to the concerns of hundreds of land managers, scores of environmental activists and dozens of news reporters. I know what these people are saying about Fee-Demo and it is not what you are being told about this program through official channels.

Fee-Demo is not an effective solution to the problems of deferred maintenance and infrastructure decay occurring upon our nation's public lands. Fee-Demo is simply not working in the way that it's promoters claimed it would. No matter how often Undersecretary Lyons, Chief Dombeck or Chief Operating Officer Pandolfi say that Americans enjoy the new pay-for-play paradigm, the truth is this program is widely unpopular and largely unsuccessful.

I am continually hearing from federal land managers that when introduced, Fee-Demo was embraced as a way to supplement shrunken operating budgets. The idea that fees would be collected and used locally was music to the ears of managers whose operating budgets had been already cut below the levels necessary for even routine maintenance.

But within a year or two of joining the Fee-Demo program. these managers have discovered that their allocated budgets have continued to drop. Instead of Fee-Demo becoming a source of "supplemental" revenue, Fee-Demo is becoming their primary source of revenue. Let me illustrate this point with an example from the Bend-Fort Rock Ranger District of the Deschutes National Forest. This forest is located in Central Oregon and it here where our organization has been an active participant in recreational issues since 1991.

At the time the Deschutes National Forest joined the Fee Demonstration program in 1997 it received $134,900 in allocated funding from Regional Headquarters for the combined categories of "wilderness" and "non-motorized" recreation. In 1998, that figure was reduced to $94,200, but, thanks to Fee-Demo $40,000 has been added back into the budget and is now available for trail maintenance and repair work.

In this specific example, Fee-Demo will replace penny for penny, only as much money as was cut from the budget since this National Forest joined the Fee-Demo program. This story is being repeated on forests throughout the country.

245 nw wilmington avenue, bend oregon 97701 (541) 385-5261

As the US Forest Service transitions from being a provider of natural resource products to a being a provider of recreational products, it is simultaneously being weaned off allocated funding and being forced to become dependent upon monies generated from user fees and other "innovative" sources.

With local land managers beginning to realize that they are being given no option but to create, market and sell profitable recreational products in order to stay in business, a whole new understanding of the true purpose of Fee-Demo is coming to light. Similarly, a growing number of forest users are starting to question whether they wish to see recreation on public lands develop along current lines.

America's public lands belong to its people. We are the owners of these lands, not customers as we are now referred to with increasing frequency. Nature must not be converted into just another commodity, which can be marketed to paying consumers. Nature is far too valuable for numerous ecological, spiritual and recreational purposes to be managed in the way currently proposed by Forest Service leaders.

Rather than force our nation's land managers into the uncomfortable role of becoming recreational entrepreneurs, our organization suggests that the entire question of how best to manage our public lands must be an issue opened to debate and participation by the entire American public.

It is clear that the US Forest Service is in a state of transition and that the Forest Service of yesteryear will soon be little more than a memory. However, the new Forest Service policies aimed toward greater commercialization, privatization and motorization of our public lands have been largely developed behind closed doors without public involvement and without the input of those on-the-ground land managers most familiar with the real issues and problems facing our national forests.

We would submit that now is the time to rethink the entire purpose and mission of the US Forest Service and to do so in open and public debate. The Demonstration Recreation Fee Program is a perfect example of an poorly conceived, ineffective program, developed and promoted largely by private commercial interests and devoid of public good. America's public lands are a unique treasure and are an amenity of incalculable value. It is in the interest of all Americans to support and protect this remarkable asset, an asset that helps distinguish our country from that of every other country in the world.

I hope you agree that it is the duty of Congress to ensure that the US Forest Service is a good Steward of these lands and that they forever remain a legacy of all of the peoples of our nation. I thank you for giving me this opportunity to plead my case before you this morning.

For additional information, please visit our Internet Web Site at - www.wildwilderness.org

248 sw wilmington avenue, bend oregon 97701 (541) 385-5261

Personal biography for Scott Silver

Scott Silver has been the Executive Director of Wild Wilderness since 1991, a non-profit environmental organization that seeks to ensure that Wilderness areas, roadless areas and other areas now substantially free of development will continue to provide outstanding opportunities for high quality, non-motorized, recreation. In this capacity, Silver has focused his efforts upon educating the American public about changing attitudes in federal lands management philosophy that are leading toward greater "commercialization, privatization and motorization" of our nation's forests, deserts, mountains, rivers and streams.

Prior to this position, Silver was Senior Scientist or Staff Scientist with several prominent biotechnology companies and has made significant contributions in the fields of large scale enzymology and bio-rational pest control. For the past 10 years he has been in private consulting.

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Ms. BURKE. Thank you, Mr. Chairman, and members of the subcommittee, thank you for this opportunity to testify about the management of the U.S. Forest Service. My name is Mary Burke, I am the president of the Washington Cattlemen's Association. My family are lessees in the Wenatchee District of the Forest Service and I also served on the 318 Advisory Committee of the Wenatchee Forest concerning spotted owl habitat.

Our concerns were summarized for you today in four major categories. We would be happy at any time, of course, to provide you with more information.

First, the management costs of the Forest Service are improperly defined. For example, the cost requirements put upon the Forest Service to address the listing of bull trout and steelhead are allocated to forestry or grazing. This is an absurd accounting practice and economic reports to the general public are therefore both inaccurate and unnecessarily confusing. We ask that the expenditure of moneys be specifically identified as to the beneficiary. In the case of steelhead and bull trout and previously for spotted owls, the beneficiary certainly was not livestock nor their owners, but either the public in general or the species itself.

Second, management overlooks the benefits provided by its lessees, both its grazers on the Forest Service lands themselves and as landowning neighbors. The subcommittee should know that in this part of the United States much Forest Service ownership exists in geographical checkerboard patterns with private land. The Federal Government has ceased to be, in those situations, always an easy neighbor. I think, Congressman Horn, if you came over Blewett Pass today, you drove through an area that is precisely checkerboarded. We own some private land in that area and that was a good example of the kind of lands that you see here. I do know that there are people in Congress who are outside this particular part of the world that do not understand exactly how that occurred because in some States, in Idaho there are large blocks of Forest Service land. In this State, although there are some land exchanges going on, I am sure Congressman Hastings can call that to your attention, that we do have to live in very close proximity to our Federal neighbor.

We ask that you consider the benefits your grazing neighbors bring to the Forest Service as excellent stewards of renewable resources, and as responsible lessees. The Washington Cattlemen's white paper on grazing assets is attached to this testimony.

Third, the Forest Service management has become narrowed to the most current fashion of environmental concern. Just now fashionable are small nits. To enhance their life cycle, we are supposed to avoid at all costs sediment in any water course and to move toward a pre-European landscape. These two requirements are the exact opposite from the decadent forest ready to burn habitat which is desirable for the spotted owl and much touted as management for parks such as Yellowstone. Our officers and staff last week toured the edge of the Yellowstone fire and saw rivers yet muddy from the fire currents, but presented as naturally beneficial. I think when you also drove over here, you saw the remnants of the Entiat fire that did come down here south of Wenatchee.

When my great grandfather arrived in the Swauk drainage, the other side of the mountain from here, in 1877, he was much impressed with the large yellow pines, many yards apart and the grass between resulting from the burning by Yakima tribal members as they moved south and east in the late fall. They maintained the landscape in this renewable condition during the 1880's. It was after European settlement that I think we had a different attitude toward the suppression of fires. When we are looking at what is the baseline or what is pre-European settlement and what did it really look like, I think we need to have some documentation of that, because the situation we have now is not the way it looked in the middle 1800's.

We have some specific personnel concerns with the management of the Forest Service. We would like to suggest that actual onsite area-specific management needs to be restored. Specialists should be available for on-the-ground land decisions and implementation and not limited to office paperwork. I think Congressman Hastings referenced the number of litigation that the Forest Service now must necessarily deal with, but it also takes their time and they are not on the ground, they are in court.

Fourth, promotion to increased responsibility and holistic management should be discussed within personnel decisions for each forest. Promotion by moving to a different location or job is now encouraged within that agency and others. This removes the institutional knowledge of local conditions and important history of environmental occurrences, agency actions, and other man-made events.

Fifth, Forest Service personnel should abide by the same rules of response and timeliness as they require of their lessees or some public. Forest Service requirements of lessee and publics is an immediate response, and we do respond in that fashion. Hearing from them sometimes is very long-term. It should be noted here, however, that Sonny O'Neal's response to the steelhead and bull trout listings was conveyed to the lessees in a most timely fashion, most notable perhaps for its uniqueness, but he did let us know and he did talk to me personally as president of Washington Cattlemen, and I should tell this committee that that was noted and appreciated.

Within these four general categories are many anecdotal and accurate examples that we do not have time to present to you today. Washington cattlemen and this association invite your questions and individual presence in this State at any time. We much appreciate the subcommittee coming to Wenatchee.

Thank you.

Mr. HORN. Well, thank you very much. You laid out your statement very logically.

Our next presenter is Ms. Sheila Kennedy, who is manager—and help me on the pronunciation——

Ms. KENNEDY. Okanogan.

Mr. HORN. Okanogan, OK. That is what I was saying to myself last night, but one never knows.

Ms. KENNEDY. That is right.

Mr. HORN. The Noxious Weed Control Board.

[The prepared statement of Ms. Burke follows:]

Washington Cattlemen's Association
P. O. Box 96 • 1301 N. Dolarway • Ellensburg, WA 98926-0096
509/925-9871 • FAX 509/925-3004

Grazing Assets

By
Washington Cattlemen's Association

Ranching by means of livestock foraging creates a positive economic and environmental benefit by harvesting a natural resource that is renewable annually.

The following is a list of assets provided to the citizens of Washington by cattlemen on a daily basis.

- **Natural removal of noxious weeds.** Through strategic grazing plan based on plant growth stage, time of year and high animal density for short periods of time, noxious weeds can be successfully controlled and even eliminated.

- **Seed dispersal and incorporation.** Cattle, just like wildlife, are a valuable tool in maintaining bio-diversity. The aeration of the soil and the incorporation of seeds within the soil are vital functions cattle provide while grazing.

- **Proper distribution of organic matter.** Cattle provide vital well disbursed nutrients needed in the soil for native plant growth.

- **Wildfire protection.** Both rangeland and forest fire control is vital to the survival of the plants and wildlife. Grazing limits fuel loads in areas where they cannot be minimized through any other means without harming the environment.

- **Wildlife habitat enhancement.** Ranchers continually work to maintain and improve range and forest health and habitat for wildlife. 87% of cattlemen have land that support wildlife populations. 86% of cattlemen report increases in wildlife populations on their land over the past 10 years. 63% purposely leave strips of grasses or legumes for wildlife. 52% of ranchers have planted trees in addition to managed natural reforestation.

- **Wildlife feed and water sources for all seasons.** Grazing provides improved feed availability for wildlife. As ranchers manage for increased forage, wildlife benefits from longer seasons of available feed. In many areas cattle utilize different varieties of grasses and shrubs than those most palatable to wildlife, thus providing a thinning effect that allows the grasses desired by wildlife to have a stronger stand. In addition to preserving and enhancing natural water sources, ranchers provide new water sources for wildlife by water developments such as wells, piped waters, and stockponds. New water sources are the major reason for the expansion of wildlife habitat. Ranchers also provide essential minerals for wildlife. Often wildlife are seen drinking from cattle water troughs and using the mineral licks that ranchers provide for the cattle because of a mineral deficiency in the soil.

- **Multiple elements for water.** Managed grazing for riparian areas increases filtration strips for runoff from upland areas and stabilizes stream banks particularly in places where mechanical equipment or chemical controls are not available or inappropriate.

- **On-site management of the land.** Ranchers closely monitor and address range and forest land health issues on a site specific daily basis. Ranchers have learned from practical experience how to manage the land giving them a better grasp of what works on the ground, rather than in theory. Public rangelands are in a better condition than at any time in this century. The trend on more than 87% of Bureau of Land Management land is stable to improving.

- **Recreational opportunities.** Ranchers provide recreational opportunities for the public to hunt, fish, hike and learn about the traditions of cattlemen to work as one with nature in conjunction with many other activities.

- **Access to property.** Many ranchers willingly allow their private property to be used by scientist, environmentalist and governmental agencies to perform field research and monitor animal and plant life in its natural state.

- **Open space.** Because of the many acres of land owned and managed by ranchers, lands are still in their natural state which provide habitat for wildlife and essential aesthetically pleasing viewsheds and landscapes for the public to enjoy.

- **Land not suitable for crop production.** More than 90% of the land categorized by the government as grazing land (62% of all agricultural land) is not suitable for farming or growing crops. If it weren't for ruminant grazing animals, such as cattle, there would be no way to harvest food from the range and pasture land.

- **Economic stability for local communities.** There are nearly one million ranchers in the US who raise cattle all of which are vital for local community stability. As demographics change and more people move to rural areas, ranchers provide necessary stability to local communities and municipalities by a consistent and stabilized local tax base as well as many additional jobs within the community.

- **Affordable high protein food supply for the world.** Cattle play a central role in the chain of sun to grass to human food. Ruminants have the ability to efficiently convert grasses and other forage into nutritious, high-protein food. United States cattle producers provide 25% of the world's beef supply with less than 10% of the world's cattle, giving the United States citizens the most affordable and consistent supply of protein in history and contributing greatly to the balance of trade and International Commerce.

- **Historical references both recorded and non-recorded.** The records of cattlemen are used increasingly in the documentation of historical natural events such as rainfall, temperatures, drought, and other critical or unique environmental occurrences, as well as historical references about long held traditions of the land.

- **Way of life.** Cattlemen intend to preserve resources for future generations. 97% of cattle ranches are owned or operated by families; 83% have been in the same family for more than 25 years and 10% more than 100 years. 69% of cattlemen intend or are in the process of passing their business on to their children.

Cattlemen play a significant roll in the economy and environment of Washington. Individual cattlemen as well as generations of families have dedicated their entire lives to properly managing our precious renewable natural resources on a daily basis in an effort to maintain the balance between man and nature. Unfortunately, cattlemen are now shouldering the burden of leaving their land in a production system that works as on with nature. Cattlemen should be praised for their fortitude and foresight in working WITH nature; uninformed people are sometimes led to believe it is the livestock industry which has destroyed the environment. The time has come for the environmental community to step back and take a look at the whole picture and give credit where credit is due. Cattlemen deserve and have earned the credit that has been so unduly overlooked.

Following is a bibliography of 1521 sources that address "Livestock Influences on Riparian Zones and Fish Habitat" developed by Oregon State University Extension Service in 1997. The conclusions drawn from review of these sources are included along with the bibliography.

Washington Cattlemen's Association
P. O. Box 96 • 1301 N. Dolarway • Ellensburg, WA 98926-0096
509/925-9871 • FAX 509/925-3004

July 9, 1998

TO WHOM IT MAY CONCERN:

Neither I nor my immediate family nor the Washington Cattlemen's Association which I represent as president at the hearing of the Subcommittee on Government Management, information and Technology of the House Committee on Government Reform and Oversight in Wenatchee, Washington July 9, 1998, have received any grant or subgrant from the Federal Government in the last three years.

My husband Pat Burke is a lessee of the Wenatchee Forest for grazing purposes and has paid each year, including 1998, the required fee for which he was billed to the USDA Forest Service, Wenatchee District.

Mary Burke, President

Mary Burke

Washington Cattlemen's Association
P. O. Box 96 · 1301 N. Dolarway · Ellensburg, WA 98926-0096
509/925-9871 · FAX 509/925-3004

Mary Burke is a frequent speaker to professionals, elected officials, organizations and associations on water rights research and history, land use and timber and mineral issues. Burke does private research and consulting on water and title history for private individuals, firms, and companies in several states and counties.

She has served as water resources chairman for the National Cattlemen's Association 1976-1989 and as Private Lands Chairman and a member of the NCA Executive Committee. She has been a governor or agency director appointee to many state and national water, land, forest, and mineral committees.

Between 1994-97 she was Water Policy advisor to the Farm Bureau member of the NCA-NCBA legal transition and by-laws committees, and the USDA Forest Service Advisory group.

At present Burke serves on the NCBA International Market committee, chairs NCBA Resolutions committee, and is president of the Washington Cattlemen's Association. She and her husband Pat own and operate a cow-calf-stocker ranch and tree farm in Kittitas County north of Ellensburg.

Ms. KENNEDY. Thank you, Mr. Chairman and members. I first would like to express my thanks on behalf of the Okanogan County Noxious Weed Control Board for asking me to attend this hearing.

The committee must first understand that not just one method of controlling noxious weeds really works. It takes a long-term commitment utilizing hand-pulling, herbicides, tilling, reseeding, and biological control methods, just to mention a few. We as professionals analyze each site to determine what should be the best, first method and what method should be utilized for followup. These plans change from site to site, depending on what is best for that particular site.

Some of the noxious weeds that are infesting State, private, tribal, and Forest Service lands in Okanogan County must thistle 50 to 100 blooms per plant and up to 1,000 seeds per bloom; seeds can stay viable in the soil up to 15 years. Diffuse snap weed produces over 900 seeds per plant and the seeds can stay viable in the soil up to 7 years. Orange and meadow hockweed produces 5 to 30 flowers per plant that blow in the wind, adhere to wildlife, and spread by fibrous root fragments. Studies performed in Idaho State that one plant can spread throughout a meadow and eliminate everything in its way in a few short years. Purple loose stripe produces 300,000 seeds per plant. These are just a few we deal with on a yearly basis.

I will outline some of the problems we face.

First, the Okanogan National Forest must request realistic funding levels. They now request low levels because they have a better chance to receive the funds. The scenario we see year after year, they have the funds to perform work on some of the weeds, but there is usually no followup due to lack of funding and staff.

Second, adequate programs are needed. Recently a timber sale proposal utilizing $51,345 for the use of hand pulling diffuse snap weed and $9,780 for herbicide treatment is unacceptable to us. Realistically these figures should be reversed.

Third, the Forest Service is not controlling all the noxious weeds that private landowners are required to control. The Forest Service is infesting adjacent landowners that are attempting to reduce the weed populations on their land. The ranchers of Okanogan County do not have a choice, they must control the noxious weeds on their land. It is their business to grow grasses.

Fourth, lack of use of new and improved herbicides. There are only three herbicides allowed for use by the Forest Service. This is very limiting to control programs and does not allow the best herbicides to be applied that would be more friendly to the site specifics that should be addressed.

Fifth, ranger districts are competing for the little funding levels that are approved. If one district has a top priority weed, they will get funded at a higher level and the other districts do not receive what they need.

The weed board budget is approximately $250,000 each year. In the past, the amount has been higher than the noxious weed budget for region 6, which I believe covers 21 national forests. In 1995, the weed office staff found new infestations of the hockweed that I previously mentioned. After researching, we learned from Idaho

that we should place top priority on these hockweeds. Our goal is not to allow what has happened to Idaho to happen to us.

When they originally found the hockweeds, they did not aggressively control them. Now they are losing 30,000 acres each year to the hockweed. Okanogan County Weed Control Board aggressively targeted control, we chemically treated the hockweed at no cost to the landowners. On private land, we had 838 acres of the hockweed and the cost to chemically treat was $550.42. What we are finding now are very few plants that we now have to search for rather than the solid stands we originally found. We have proven our program works. Unfortunately the Forest Service has spent $50,000 and it has taken 3 years for an approved EA to treat their hockweed infestations with herbicides. Basically they could have eliminated all of their hockweeds with less than $1,000.

The State and Federal agencies are caving in to pressures from protestors and are not performing the best job to stop the devastation occurring from these non-native species, to protect our environment. In 1997, a national strategy for invasive plant management was introduced in Washington, DC. Unfortunately funding levels have not been addressed. The plan does no good on paper, we need implementation in the field.

I would request a congressional investigation, appoint people to realistically look into this situation, determine how many acres of noxious weeds are on Federal lands and commit to long-term funding levels. I will offer our assistance and programs. I would suggest a test plot program on Federal lands in Okanogan County. We could set up plots that you could visit on a tour, on a field tour, to see for yourselves what is working. We strongly believe that doing something is better than doing nothing at all.

Okanogan County Noxious Weed Control Board has worked very diligently to bring these exploding problems to the attention of Congress and Federal agencies. Control must stay at the local level. They know what is needed. Region 6 must support requests for adequate funding levels to implement integrated weed management programs to look at noxious weed species and utilize the best method for control. The Okanogan County Noxious Weed Control Board wants to be a part of finding solutions to stop the invasion of these non-native noxious weeds. We refuse to stand by and allow the continuing devastation to our ecosystems, wildlife, and natural resources. We plead with all members to join our efforts and assist the Federal lands in continued adequate funding levels. When the major land manager in our county is not performing adequate control measures, our program will never be successful.

I would be glad to address any questions. Thank you.

[The prepared statement of Ms. Kennedy follows:]

OKANOGAN COUNTY NOXIOUS WEED CONTROL BOARD

149 3rd N. Rm. 102, PO Box 791, Okanogan, WA 98840

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July 5, 1998

Congressman Horn, Chairman
Subcommittee on Government Management,
Information, and Technology
2157 Rayburn House Office Building
Washington, DC 20515-6143

Dear Mr. Chairman and Members:

I would first like to express my thanks on behalf of the Okanogan County Noxious Weed Control Board for asking me to attend this hearing. The committee must understand , that not just one method works in controlling noxious weeds. It takes a long term commitment utilizing hand pulling, herbicide, tilling re seeding and biological control methods, just to mention a few. We as professionals analyze each site to determine what should be the best first method and what method should be utilized for follow up. These plans change from site to site depending on what is best for that particular site.

Some of the noxious weeds that are infesting State, Private, Tribal and Forest Service Lands in Okanogan County.

Musk Thistle: 50-100 blooms per plant and up to 1,000 seeds per bloom, seeds can stay viable in the soil up to 15 years.

Diffuse Knapweed: produces over 900 seeds per plant, seeds can stay viable in the soil up to 7 years.

Orange and Meadow Hawkweed: produces 5 to 50 flowers per plant that blow in the wind, adhere to wildlife, spread by fibrous root fragments. Studies performed in Idaho state one plant can spread throughout a meadow and eliminate everything in its way in a few short years.

Purple Loosestrife: produces 300,000 seeds per plant. These are just a few we deal with on a yearly basis.

I will outline some of the problems we face.

1. The Okanogan National Forest must request realistic funding levels. They now, request low levels because they have a better chance to receive the funds. The scenario we see year after year, they have the funds to perform work on some of the weeds, but there is usually no follow up, due to lack of funding and staff.

2. Adequate programs are needed. Recently a timber sale proposal utilizing $51,345.00 for the use of hand pulling diffuse knapweed and $9,780.00 for herbicide treatment, is unacceptable to us. Realistically, these figures should be reversed.

3. The Forest Service is not controlling all the noxious weeds that the private landowners are required to control. The Forest Service is infesting adjacent landowners that are attempting to reduce the weed populations on their land. The Ranchers of Okanogan County do not have a choice, they must control the noxious weeds on their land, it is their business to grow grasses.

4. Lack of use of new and improved herbicides. There are only 3 herbicides allowed for use by the Forest Service. This is very limiting to control programs and does not allow the best herbicide to be applied that will be [illegible]e friendly to the site specifics that should be addressed.

5. Ranger Districts are competing for the little funding levels that are approved. If one District has a top priority weed they will get funded at a higher level, and the other Districts do not receive what they need. The

USDA - FOREST SERVICE

SALE AREA IMPROVEMENT
and
K-V COLLECTION PLAN
(Reference USM 2477)

(1) Forest	(2) District
Okanogan	Tonasket
(3) Sale Name	(4) Contract Date
Buster	11/21/97
(7) Purchaser	(8) Contract Number
Long View Fiber	63808

(5) Compartments

(6) Plan Type: Original: ___ Revision: X

Priority of Treatment	Treatment Description (9)	Mitigation (M) or Ngr Co (RC)	Work Activity Code (10)	Units of Work (11)	Cost per Unit (12)	Total Sale Improvement Needs No. of Units (13a)	Total Sale Improvement Needs Cost (13b)	K-V Planned No. of Units (14a)	K-V Planned Cost (14b)
1	Site Prep = Planting	M	ET24	Ac	$271	69	$18,699	69	$18,699
2	Planting	M	ET24	Ac	$395	69	$27,255	69	$27,255
3	Site prep = Plant Grps	M	ET24	Ac	$175	238	$41,650	238	$41,650
4	Plant Groups	M	ET24	Ac	$375	238	$88,774	238	$88,774
5	Site Prep for Nats	M	ET24	Ac	$268	24	$6,432	24	$6,432
6	Plantation Management	M	ET24	Ac	$22	307	$6,764	307	$6,764
7		M	ET24	Ac			$0		$0
8		M	ET24	Ac			$0		$0
9		M	ET24	Ac			$0		$0
10		M	ET24	Ac			$0		$0
11		M					$0		$0
	Subtotal of Required KV (ET24)						$188,564		$188,564
	Indirect Expenses (WO, RO, SO, RD)						$99,860		$99,860
	RD Overhead:	9.70%							
	SO Overhead:	28.50%							
	RO/WO Overhead:	8.31%							
	Total Required KV						$288,424		$288,424
1	Install Road Gate	M	CW221	Gate	$1,234	3	$3,702		$0
2	Snowmobile Gate	M	CW221	Gate	$1,819	1	$1,819		$0
3	Seed for Nox Weed Con	M	DN24	Ac	$70	39	$2,730		$0
4	Hand Pull Nox Weeds	M	DN24	Ac	$489	105	$51,345		$0
5	Herb. Nox Weed Con	M	DN24	Ac	$488	20	$9,760		$0
6	Snag Creation	M	CW222	Snags	$88	540	$38,720		$0
7	Slash Pulleuse-Snags	M	CW222	Snags	$23	1040	$23,920		$0
8	Snag Monitoring	M	CW222	Survey	$1,861	1	$1,861		$0
9	Handpull Nox Weeds	RC	DN24	Ac	$489	80	$38,120		$0
10	Herbicide Nox Weed	RC	DN24	Ac	$488	1	$488		$0
11	Close Roads	O	CW221	Roads	$790	2	$1,580		$0
12	Snag Creation	O	CW222	Snags	$47	1060	$50,760		$0
13	Sanitation and PCT	O	ET25	Ac	$88	948	$83,248		$0
14	Nox. Weed Monitoring	O	DN24	Ac	$302	0.6	$181		$0
15	Livestock Trail Barriers	O	DN24	Each	$280	1	$280		$0
16	Snag Monitoring	O	DN24	Survey	$3,227	1	$3,227		$0
17							$0		$0
18							$0		$0
19							$0		$0
20							$0		$0
21							$0		$0
22							$0		$0
23							$0		$0
24							$0		$0
25							$0		$0
26							$0		$0
27							$0		$0
28							$0		$0
29							$0		$0
30							$0		$0
	Subtotal of K-V Opportunities (including Mitigation, RC, and Other)						$310,548		$0
	Indirect Expenses (WO, RO, SO, RD)						$163,592		$0
	Total of K-V Opportunities						$474,140		$0
	Total of Sale Improvement Needs						$763,564		
	(15) Total K-V Funded Needs								$288,424
	(16) TOTAL STUMPAGE AVAILABLE:								$418,025

REMARKS:

(18) Prepared By:	Title:	Date:
(19) Recommended By:	Title:	Date:

KV - expend.
April 21-22
Reforestation
other topics

ion 6 — FY 1992 FINAL PBMI - UNIT BUDGET ALLOCATION SUMMARY (Thousand $) — January 11, 1992

GET LINE ITEM	DES	FRE	GTP	HAL	HUS	INT	OCN	OKA	OLY	ROR	SIS	STH	UMA	WNF	WAW	WEN	WIL	WTK	ZON	CHG	IND	TOTAL
ieral Management	359	45	185	128	95	280	100	152	48	120	388	210	118	106	236	204	174	27	66	22	621	[illegible]
l Estate Mgmt	176	84	111	74	266	96	59	54	83	69	122	201	53	62	187	152	117	65	81	141	1146	[illegible]
dline Location	189	292	258	166	201	[illegible]	165	200	190	200	150	383	144	55	390	374	130	139	621	[illegible]	535	[illegible]
ilition Maint	175	259	309	113	314	317	108	77	195	233	206	81	213	304	366	106	158	155	134	99	219	4141
perative Law	81	0	153	26	113	184	0	51	0	89	199	143	12	96	18	178	88	39	56	0	16	[illegible]
g Enforcement	4	0	20	0	0	9	0	12	0	18	2	45	10	46	5	10	62	[illegible]	12	[illegible]	111	[illegible]
Maint	994	765	1696	803	1292	1060	624	558	1063	786	867	1006	748	1142	1106	956	[illegible]	561	767	28	[illegible]	[illegible]
il Maint	293	47	914	95	703	513	28	248	148	92	178	50	160	106	635	759	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Res law Planning	75	38	75	43	76	232	20	25	25	135	58	155	31	126	11	69	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
v Exam	568	704	321	765	156	463	278	210	254	308	691	120	893	370	1075	288	282	217	1016	0	[illegible]	[illegible]
Sales Admin & Mgmt	1039	1463	2057	1433	786	2271	644	1518	320	1251	2102	2343	843	2274	1685	1838	5109	[illegible]	[illegible]	0	[illegible]	[illegible]
Harvest Admin	752	1165	2250	1336	1396	1141	84	645	909	1047	1111	1172	1185	886	1511	1122	2787	414	1582	0	[illegible]	[illegible]
orestation-Appro	896	180	24	852	50	609	393	245	76	483	454	36	311	149	2917	37	761	579	192	0	474	9710
Stand Imp	601	181	803	86	372	1146	123	986	744	539	2039	454	242	1731	764	292	1380	631	649	0	313	[illegible]
nury & Genetic Tree Imp	511	392	974	392	212	306	226	244	282	1014	528	184	604	1236	689	397	595	133	591	0	227	[illegible]
reation Mgmt	2051	300	2061	300	1997	2021	266	599	377	405	880	1297	408	933	1400	1526	1220	583	503	1419	2413	[illegible]
Jerness Mgmt	297	29	237	49	681	314	32	151	102	144	97	51	133	44	312	579	597	31	25	0	161	[illegible]
tural Res Mgmt	320	231	784	225	48	334	155	121	25	180	294	234	284	132	268	199	194	208	[illegible]	49	251	[illegible]
& Fish Hab Ops & Imp	141	136	222	146	116	247	79	149	87	167	293	333	150	239	232	138	315	99	195	0	396	[illegible]
and Fish Ops & Imp	198	157	88	45	36	102	39	48	27	89	73	82	36	68	63	61	117	63	154	5	107	[illegible]
dromous Fish Hab & Ops	0	0	389	228	732	1096	167	197	816	150	674	815	408	378	500	741	485	0	0	25	734	[illegible]
Ops & Imps	121	122	204	96	299	471	92	108	106	369	261	383	64	158	148	276	321	115	137	5	649	[illegible]
Veg Mgmt	186	417	14	517	0	55	247	272	2	125	58	26	271	33	771	158	0	78	259	74	542	[illegible]
Improvements	3	1	6	2	0	[illegible]	16	1	0	14	6	1	3	0	1	9	1	6	6	5	0	[illegible]
d Horse & Burro Mgmt	0	0	0	0	0	0	5	0	0	0	0	0	0	0	0	0	0	0	0	0	0	[illegible]
ious Weed Control	7	13	3	23	0	19	1	3	0	1	10	6	0	3	10	12	5	14	10	1	[illegible]	[illegible]
l, Wtr & Air Ops	202	213	672	165	331	916	109	145	221	297	588	387	152	429	452	369	546	384	219	95	1401	[illegible]
l & Wtr Res Imp	68	60	51	85	1504	386	54	15	606	81	91	19	42	70	64	179	80	26	22	0	0	[illegible]
l Inventory	15	5	30	0	0	38	10	140	67	0	105	5	0	28	137	150	0	0	0	0	56	766
Admin-Approp	1851	950	2376	556	2063	2007	443	881	1817	1170	1996	1564	590	1662	1635	2496	1641	640	1120	467	11980	[illegible]
ior Citizens	53	35	190	29	144	194	41	75	115	82	130	100	93	171	71	104	112	39	242	0	86	1928
e Presuppression	5814	890	1683	1381	950	2103	983	1208	700	1106	1518	934	1336	1220	2570	2569	1901	1644	869	50	3063	[illegible]
O Construction	0	5	0	0	0	[illegible]	0	0	0	0	0	0	0	5	0	0	0	0	0	0	336	346
reation Coast	457	21	8278	0	106	157	22	6	106	0	17	63	15	0	262	107	56	0	14	140	421	[illegible]
est Road Coast	711	837	1790	854	1089	1633	581	894	797	720	1878	1586	745	1996	1953	1207	2117	498	823	194	4403	[illegible]
il Construction	65	6	735	3	92	54	26	24	43	35	8	36	22	12	32	31	122	29	19	63	89	[illegible]
d Acq	30	5	40	1	215	10	10	15	25	10	52	229	2	10	160	130	50	30	15	250	170	[illegible]
plete Land Exchange	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0

21 National forests

OKANOGAN NATIONAL FOREST NOXIOUS WEED PROGRAM

US Senator Slade Gordon has proposed a "capability statement" for inclusion in the Interior Appropriations Bill that would direct the USFS to allocate appropriate funds for control of noxious weeds on the Okanogan NF. The WO has requested current information on our noxious weed program.

Budgets

Our P & M allocations in NFNW, DN24 for 1992 and 1993 are listed below. Requested funds for 1994 and 1995 are also listed. For 1992-3 funds were received as requested in the "starting point budget". The starting point budget is limited to 50-60% of our actual annual operating budget. The funding is low for the noxious weed work that needs to be done on the Forest, but the constrained budgeting requirements of making our starting point budget carry a substantial portion of the timber and timber support program leaves little funding for other programs including noxious weeds.

To do more of the work, the Okanogan has aggressively used range betterment funds and KV funds, where appropriate, to manage noxious weeds. These sources do have limitations on timing and location, but their use does save the P & M dollars for other sites. These funds are listed below for 1992 to 1995, also.

NOXIOUS WEED CONTROL BUDGETS

$ BY ACTIVITY CODE

FY-YEAR	P&M	RBRB	KV	TOTAL	ACRES TREATED)
1992	3800	11600	43600	59000	119
1993	7000	8000	36808	51808	21(target only,more acres will be done in 93)
1994	6000	9000	41000	56000	416
1995	19000	13000	49000	81000	658

In addition to the base line budget of $19000 in 1995, an increment of $46000 of P & M funds for noxious weed management has been included in our Forest's out-year request. It is the number 4 priority increment package on the Forest.

We realize that our noxious weed P & M funding has not been enough to do a good job but when the total for each year is considered, it is apparent more emphasis occurs on noxious weed management on the Okanogan National Forest.

Cooperation With Other Agencies And Individuals

Our forest has sought funds for noxious weed management from other sources. We worked with the Okanogan County Noxious Weed Control Board staff to get funds from the US Animal and Plant Health Inspection Service (APHIS) for control of noxious weeds. We have worked with the Washington State Department of Agriculture to get funds for noxious weed surveys. We were not successful in getting funds from APHIS, but we did get funds from the Washington DOA for Crupina surveys.

NOXIOUS WEED CONTROL BUDGETS
OKANOGAN NATIONAL FOREST
1981-1995 (93-95 ESTIMATED)

DOLLARS ALLOCATED
BY ACTIVITY CODE

FY-YEAR	P&M	RBRB	KV	TOTAL	ACRES TREATED)
1981	-	-	-	4500	30
1982	-	-	-	8300	80
1983	-	-	-	9790	187
1984	-	-	-	7510	62
1985		NOT AVAILABLE			
1986	-	-	-	8595	102
1987	12940	1250	N/A	14190	94
1988	20892	4340	4680	29912	111
1989	6890	2080	28764	37734	150
1990	0	6000	17850	23850	36
1991	9358	5145	18317	32820	42
1992	3800	11600	43600	59000	119
1993	7 8000	5 X000	36808*	51808**	21
1994	6000	9000	41000	56000	416
	$93500 is identified in the Forest Health assessment restoration projects for noxious weed control. 820 acres is identified as the acres treated.				
1995	19000	13000	49000	81000	658
46,000	$85000 is identified as forest priority #4 in the enhanced level of the budget for noxious weed control on 150 acres. With these funds, the total budget for noxious weeds would be $127000 for control on ~~900~~ 305 acres. * Ecosystem restoration projects for noxious weeds have been submitted to the RO for $147000. FY 96 ecosystem restoration funds for noxious weeds total $276300.				

Comparative Noxious Weed Control Budgets, 1991

Bureau of Indian Affairs, Colville Reservation	49,883
Colville Confederated Tribes	30,117[1]
D.O.W., Indian Dan Canyon H.M.A	5,000
D.O.W., Sinlahekin H.M.A.	9,394[2]
Dept. of Transportation, Okanogan Co.	71,520[3]
Okanogan County Road Department, 1991	130,975
Okanogan County Noxious Weed Board, 1991	230,000
Washington State D.N.R., Okanogan County	5,000[2]
Bureau of Land Management, Okanogan Co.	12,800
Oroville-Tonasket Irrigation District	3,150
Private Landowners participating in Weed Board's 1991 cost assistance program	53,092[4]
City of Omak, department of Public Works	20,504
U.S.F.S.--Okanogan National Forests	$10,000 (est.)

1. Does not include $10,000 paid the Weed Board for handpull, survey, and biological control. In addition, the Tribes spend approximately $75,000 annually for biological control research.

2. In addition, the Department of Wildlife and other State owned lands are assessed 10 cents per acre by the Board on an annual basis. The amount of the assessment is not included in this figure. For example, the DNR pays $30,536 annually in lieu of taxes.

3. The amount actually budgeted by the D.O.T. for 1991 was $64,000, but additional funds were needed.

4. Many landowners control noxious weeds on their property and do not take advantage of the Weed Board's cost assistance program.

In order to improve weed control on Forest lands in Okanogan county, I believe that the Forest Service would be well served to work cooperatively with the Weed Board to develop integrated management systems and control strategies for selected undesirable plant species. In order for the Board or the Forest Service to successfully establish a viable weed control program, additional funding will be needed at both the County and Federal level. What we would like to suggest is that the Forest Service prioritize noxious weed control and maintain annual budgets similar or preferably higher than its counterpart State, Federal, and County agencies. In other words, I feel that the way the Forest Service could best express its concern about noxious weeds is to simply pay its fair share.

In accordance with guidelines outlined in section (1) of the State Noxious Weed law, 17.10 R.C.W., the Weed Control Board may, in lieu of a tax, levy an assessment on the lands within a County. Currently, our assessment rate is 10 cents per acre on all private and State lands. At present Federal lands are not being charged, even though the section specifically refers to Federal lands as being a suitable classification category.

For purposes of our agreement between the Board and the Forest Service, we would propose that the Forest Service be assessed at a rate of ten cents per acre to be collected by the Weed Board in lieu of a tax. With this additional funding, the Weed Board would agree to assist the Okanogan National Forest in development of an Integrated Weed Management program. The Board may choose to assume additional reasonable

Mr. HORN. Well, thank you very much. You have made a good proposal there that deserves very thorough consideration.

Our next presenter is Mr. Maurice Williams. He is the past president of the Washington Farm Forestry Association.

Mr. WILLIAMS. Thank you, Mr. Chair. I would like to thank the committee for having the hearing here in Wenatchee. I am from Colville, WA. Colville is a timber-dependent community, it has been adversely impacted by the decrease in public timber supply. In fact, some of us would say that it is a battered community as described in this epistle that I hope to have introduced as part of my written testimony.

Mr. HORN. Without objection, it has already been entered, automatically.

Mr. WILLIAMS. Thank you, sir.

The Washington Farm Forestry Association is small private landowners, the moms and pops of the State of Washington. Our income and value of our products has also been impacted by the decrease in market availability due to mill closures throughout the west because of the lack of public supply for sustainability.

The national forests of the inland West are in need of active management to reduce stocking levels, as well as redirect species composition to insulate against insect and disease epidemics which will lead to catastrophic fires. In my opinion, decisions like a disruption in the road construction or reconstruction portion of active management, as proposed in Chief Dombeck's interim rule on road management, will not allow the agency to become more efficient or cost the Treasury less money. In fact, when the question of whether road construction or reconstruction should stop on public lands was raised at the Seventh American Forest Congress. Ninety percent of those participants disagreed with that concept. This was also true on the concept of whether logging of public lands should continue, 91 percent of the participants felt that it should continue.

The Forest Service is not meeting the mandate of existing laws such as the Multiple Use Sustained Yield Act of 1960 or the National Forest Management Act of 1976. Instead, they have gone to an ecosystem management concept with the objective of obtaining or maintaining a healthy ecosystem. Under this objective, neither ecosystem management or a healthy ecosystem has been adequately defined and the agency has made the production of goods and services a byproduct of the effects of ecosystem restoration. Eighty-eight percent of the Seventh Forest Congress participants answered positively to the vision statement of "In the future, our forests will sustainably provide a range of goods, services, experiences and values that contribute to community well-being, economic opportunity, social and personal satisfaction, spiritual and cultural fulfillment and recreational enjoyment." I believe this legitimizes and confirms the existing laws under which the national forests are managed. All of these instruments call for continuous and determinable supply of timber and other commodities to be produced for the use and necessities of the citizens of the United States.

It is my understanding that there are no hard targets to which the forest supervisors are held accountable under ecosystem management. A hard target would be one that has measurable levels

of production, such as thousands of board feet of timber sold or advertised, number of cattle grazed, miles of roads maintained, et cetera.

Existing forest land and resource management plans are not being used to establish program direction, nor are they being adequately funded for full implementation or monitoring. However, continued funding shortages have resulted in staff reductions and loss of job security. At the same time, there are increasing demands for more planning to meet the increasing challenges from outspoken pressure groups through appeals and lawsuits. The resulting loss of job security, the increased control and direction from higher levels, the continued internal differences of mission, the unwillingness to take risks, and the lack of rewards for good management has resulted in a loss of organizational productivity and resulted in low organizational morale. There is more internal unrest and less willingness to start any projects that are controversial in nature. All of this results in lower annual production of goods and services, less consistency in the level of goods and services provided, and less efficiency for a higher cost of production due to high fixed costs or overhead.

This concludes my comments.

Mr. HORN. Thank you very much.

Our last presenter is Mr. Frank Gladies, the president of the Independent Forest Products Association.

Mr. GLADIES. Thank you, Mr. Chairman. I appreciate the opportunity to testify in front of this subcommittee on these issues. I will speak principally to the Recreation Fee Demonstration Program and then I would like to point out a few facts about what has and has not been occurring on our national forests to put things into a little context for you.

The National Forest System worked very well with a limited number of objectives from the early 1900's through the late 1950's and 1960's. If you look in my testimony on page 4, graph No. 2, it shows that the agency generated about as much revenue from its timber sales as Congress was appropriating or authorizing it to expend each year. The bottom two lines show that.

Then we have got an FMA and a number of laws that came into place that pushed more multiple use, which was good for the forest because those are goals and objectives that the American public wanted, but that costs money. The agency is now a $3.3 billion organization.

Timber revenues have fallen off for a couple of reasons. First, they are not selling as much timber; and second, the type of timber they are selling. Saw timber is not the component that it once was within their program. So they are not generating as much revenue. That has a couple of impacts: No. 1, a lot of that money was used to help fund the Forest Service, and No. 2, a lot went to the Treasury. Finally, 25 percent went to local communities to help fund schools and roads. Those are very important dollars to communities, particularly the rural communities that do not have much tax base when they are surrounded by a national forest.

Well, for those who have lobbied against timber management on the national forests and at first lobbied for recreational use, they are asking for a free lunch. They want Congress to fund an agency

for $3.3 billion and they do not want to have to pay for recreation. A great example of this is the road management problem the agency now faces. The Forest Service estimates that 99 percent of the road use on its forest road system is recreation-based, yet recreationists have never paid for road maintenance. The recreation programs within the Forest Service have not paid for road maintenance.

Up until just a few short years ago, between 40 and 50 percent of road maintenance was accomplished through the timber sale contracts, which the purchasers of those contracts did that. So those contractors were doing much of the road maintenance that the recreationists enjoyed.

Without timber and without the revenues that it is producing, someone has to pay for that activity if we are going to continue to use the roads on the national forest that exist. Now the Forest Service has begun to charge a recreation user fee. Well, Congress has a choice, they can either let them do that or they can try to come up with the additional money it takes to provide the services that the national forest has produced in the past and that the public calls for. I do not think in this day and age of budgets, that it is going to be easy to come up with another billion dollars or so to fund an agency when you lose 20 percent of your revenues out of the agency and 20 percent of your employees if you lose that amount of money. It costs more to lay off a Federal employee than it would cost to sell timber.

A few short years ago when the Forest Service faced a RIF, they thought they were going to have to RIF a number of people and they thought it would cost them $75,000 per employee to get rid of them. Well, that is a tremendous amount of money if you have to fire 20 percent of 36,000 people, comes out to about one-half billion dollars.

So Congress is now in this dilemma. They have not forced the agency to produce what its forest plans called for. They have allowed them to shift focus, and they have allowed them to complicate their own processes, as this administration did when it gave six other agencies veto power over the decisionmaking process after the salvage rider. Their costs of overhead have been doubled in the last 4 or 5 years, both for selling timber and within their timber trust accounts. There is a problem there. No private manager or State manager in this country would survive within their organization if they went to the boss and said my overhead rate is increasing at 2.5 percent a year.

Congress ought to be looking at the underlying problem. If we want our national forests to produce goods and services, then we ought to figure out how to let the local land managers do that job. If we want them to become the equivalent of national parks and just have Congress fund them year after year, we ought to do that.

You have a compact with local communities that you need to think about. That compact is are we going to control the land around your community—we have some counties in the west that are over 90 percent federally managed, and the Federal Government made a commitment that they would pay 25 percent of the gross receipts they collected. Timber, over the past 50 years, has produced 95 percent of those receipts. If we are going to take away

the timber sale program, then we have to make those communities whole somehow. Just paying the 25 percent does not make them whole for the lost economic activity that occurs there.

If you look at the TSPIRS report, and I would refer you to graph 9 on page 14 and graph 10 on page 15, the Forest Service estimates that if the ASQ was sold, they could prove $4.5 billion of economic activity in the rural communities in this country. Given the low rates of timber harvesting that is occurring, it is about $2 billion right now. But that is a tremendous amount of economic activity.

This administration recently proposed to pay counties $270 million and decouple the 25 percent payments from timber. Well decoupling means the agency will no longer have the political pressure that counties would bring on them to sell timber and it would be a new entitlement program. I do not think Congress likes entitlement programs all that much, given what I have seen over the last 4 years from this Congress, the most recent one, but that is what the agency and the administration are proposing.

You also have to think about it in income taxes. In 1997, the Forest Service data shows that their programs were responsible for the generation of $310 million of Federal income taxes. If they fulfilled their forest plans, timber would have resulted in about $710 or $720 million of Federal income taxes. Well, we have folks in this room and folks that are lobbying Congress today saying let us not cut any timber and they say it costs too much. You need to, in your committee, be thinking about what all the costs are to those communities of walking away from that program, and the economic activity that those programs generate.

I appreciate the opportunity to come and I will answer any questions you have.

Mr. HORN. Well, stick with us because we are going to have a dialog. We will interrupt it for the inspector general of Agriculture, but I would like Representative Hastings to begin the questioning and take as long as he would like except for the IG. Then we will get back to them.

Mr. HASTINGS. Thank you very much, Mr. Chairman. I want to thank all the panelists for their testimony today. At the outset in my statement, I said that you would hear some contrasting views from people that live and work here in the northwest and I think you got a bit of that.

What I would like to ask the panel, since some of you alluded to it in your statement, I would like to ask each of you if you would give me, I guess, an answer as to whether you are in favor of our forest lands, timber lands, being used for multiple use rather than say single use that somebody may have. So the question is just really, without going into detail, would—are each of you in favor of multiple use of our forest lands? Mr. Tingelstad, I will start with you because we started that way.

Mr. TINGELSTAD. Yes, I would be in favor of multiple use. I would like, however, to see the extractive uses such as logging and mining pay their fair share. I keep hearing about how we need to pay to do our share to support the forests. According to the Federal Government's own accounting, the Forest Service lost $88.5 million selling timber to private corporations in 1996.

Mr. HASTINGS. Yes, Mr. Tingelstad, I do not mean to cut you off, but there is an honest disagreement as to those figures, as was alluded to earlier. I just wanted to ask that specific question.

Mr. TINGELSTAD. You want a one-word answer.

Mr. HASTINGS. Well, I will leave a little bit of elaboration, but I know that there is honest difference of opinion on that. I would suggest frankly that, Mr. Tingelstad, if you and Mr. Gladies and Mr. Williams sit down afterward, that is part of the process of agreeing where different views are. But thank you for your input.

Mr. Mitchell.

Mr. MITCHELL. Yes, I am in favor of multiple use. But it has become extremely skewed so that the lion's share of the budget goes for a very small minority who are damaging the resources, the other use resources, and I think that has to be rectified.

Mr. HASTINGS. OK, thank you, Mr. Mitchell.

Mr. Silver.

Mr. SILVER. I am going to have to give you the same kind of answer, it is not a yes or no question, I cannot answer it in those terms.

Mr. HORN. Well, we all have to make choices.

Mr. SILVER. If you need it, it is going to be a qualified yes, but a heavily qualified yes.

Mr. HASTINGS. That is fine. We just want it on the record. The point is that it is very simple, because if it is public lands, by definition, and I think in your testimony you emphasize that it is public lands, it is our lands. The next question is how should we use that for the benefit of the public, should it be multiple use. So yours is a qualified yes.

Mr. SILVER. Heavily qualified yes.

Mr. HASTINGS. Heavily qualified yes, that is fine.

Mary.

Ms. BURKE. Yes, Congressman Hastings, we believe in multiple use with the caveat that the people there who have multiple uses at the same time need to respect each other's uses. We have, for example, in this area an awful lot of recreational activity and in checkerboarded areas, we have to tolerate quite a lot of that on our private lands as well as our lease. So I guess everybody has qualifications and I think it depends on how you manage it, but we are not looking for one single use. I would call to your attention though that using it only for recreational or wilderness purposes is.

Mr. HASTINGS. Thank you.

Ms. Kennedy.

Ms. KENNEDY. I would have to say that we are in support of multiple use. Just compared to noxious weeds, you know, it is a multiple use, you need multiple methods in order to control the land.

Mr. HASTINGS. OK. Mr. Williams.

Mr. WILLIAMS. I am a strong supporter of multiple use. I would just like to point out, however, that some of the standards and screens and guides that are being used preclude multiple use over significant portions of national forests.

Mr. GLADIES. Congressman, we support multiple use, although I think the forest planning process that has been imposed does not work because it sets aside large areas of land for single uses and that has clearly not worked over the last 15 years.

Mr. HASTINGS. OK.

Mr. HORN. I wonder if we can now have the inspector general come up. Just stay where you are, we will get another chair in there, and give him the microphone. And as I said earlier, he has to leave at 1 o'clock, so we do want to hear his testimony and have a chance to ask him a few questions and then we will get back to the panel. Just sort of make a little space in the middle, move down a little bit so we can accommodate everybody.

Gentlemen, if you will stand, both of you, including your accompanier, and raise your right hands.

[Witnesses sworn.]

Mr. HORN. The clerk will note both witnesses affirmed the oath. Please proceed.

STATEMENT OF ROGER VIADERO, INSPECTOR GENERAL, DEPARTMENT OF AGRICULTURE, ACCOMPANIED BY JAMES EBBITT, DEPUTY INSPECTOR GENERAL FOR AUDIT, DEPARTMENT OF AGRICULTURE

Mr. VIADERO. Thank you, sir. Thank you, Mr. Chairman and members of the subcommittee. I am pleased to be here to provide testimony about the Forest Service's financial management. With me today is James Ebbitt, assistant inspector general for audit.

The Forest Service's financial house is not in order. We can assure you that this has been the case since 1991 when the Office of Inspector General first performed the legislatively mandated annual financial statement audit. We also conclude, based upon what we have learned, that it most likely always has been the case. Although Forest Service management is responsible for the development of reliable financial information, they are not alone in creating the problems that have thwarted the achievement of that rudimentary goal. The Department's central accounting system, which provides general ledger and financial reporting capability for the Forest Service, has been similarly unable to generate meaningful data and this has exacerbated the Forest Service's predicament. I will briefly describe the problems that exist, what corrective actions are underway, and what the future appears to hold.

The depth of the Forest Service's accounting deficiencies are so extraordinary that even the most fundamental principles, like double-entry bookkeeping first set forth in writing by the Venetian Monk Luca Pacioli in 1494, are not always honored. Perhaps at the core of these problems is the longstanding perception that management viewed its role as the stewards of the Nation's second largest aggregate land holding, and focused on all of the attendant resource issues to the detriment of financial management.

What management did not recognize was that financial data is also a resource that requires at least the same level of due diligence and care-taking as does a Douglas fir or a riparian area, a riverbed, if you will. The accounting procedures to be used throughout the agency have been largely left to the discretion of the regions or even operating units. Many of the requirements that are established were so loose, that the prospect of reliable records was rendered remote. In other instances, meaningful measures were prescribed, but not always complied with. This decentralized ap-

proach was not the sole cause of the inadequate accounting, but most certainly has been a significant contributing factor.

I will give you a few examples of how porous accounting practices not only distort reported financial results, but also greatly and unnecessarily increase the risk involved in safeguarding assets.

Perhaps one of the most persistent problems that has plagued the Forest Service financial management deals with accounts payable. The Forest Service, at the operating level, has never been able to distinguish between the recognition of the actual liability when the goods or services are received, and an intermediary step in the process, in which funds are obligated but the goods or services requested have not yet been delivered.

Without getting into specific detail, governmental accounting principles require these actions to be treated very differently, impacting different types of accounts. We have found since the onset of our audit in 1991 that the Forest Service consistently confuses these two distinct actions, with error rates as high as 76 percent. This area epitomizes to some extent the institutionalized nature of the agency's accounting deficiencies. Since 1993, the Forest Service has computed its accounts payables statistically by identifying on its own the extent of errors likely to have occurred and projecting them over the universe of transactions, then adjusting the total. This is analogous, Mr. Chairman, to throwing in the towel. Rather than correct the errors, the Forest Service tries to estimate how many were made.

The reliability of the Forest Service's financial data has been further eroded by not properly matching debits with credits and not having internal operating controls in place to preclude or detect errors. For example, in 1993, as part of the Exxon *Valdez* cleanup effort, the Forest Service collected almost $9 million in reimbursements for its expenses and obligations. The agency recorded this, however, as a negative adjustment to the reimbursements receivable. In other words, the records disclose that the Forest Service actually owed Exxon the $9 million. In another example, in 1992, we found that portable radios costing between $522 and $668 each, had been recorded at acquisition values of between $94,000 and $91 million each, for at least 11 different radios. The aggregate value per the Forest Service was $270 million at fiscal year end for the radios.

Forest Service officials could not explain why these amounts had been entered incorrectly into the accounting system. Nonetheless, so obvious an error should have been readily identified. Adequate controls have still not been established, as we continue to find evidence of a lack of supervisory reviews of field level data which contribute to poor accounting.

Let me now transition to the Department's National Finance Center located in New Orleans. After the questionable accounting data has weaved its way through the myriad of Forest Service manual and automated accounting systems, it is entered into the central accounting system, CAS. CAS processes the data in the BUDG system, for budgetary accounting purposes and in the LEDG system for financial accounting purposes. Although the same information is input, the two systems produce results which are significantly at variance. The National Finance Center has institu-

tionalized these errors much as the Forest Service has with accounts payable, by running automated adjustments to bring the two systems into balance. In 1995, for example, $55 million in adjustments to obligations had to be made. Adjustments of this type are clearly not reconciliations but nothing more than plugs. CAS is poorly documented, provides for only summary and not detailed data and does not meet governmentwide accounting requirements. CAS does not have an adequate trail and adjustments and so-called reconciliations are processed extensively without adequate support. Simply stated, CAS cannot produce auditable financial statements.

Problems of this magnitude cannot be fixed overnight, or apparently over a decade, given the glacier-like pace of the changes. Major systems changes, of course, are huge and costly undertakings. But let me go back to the beginning regarding problems, what has been initiated and where the Forest Service and the Department stand today.

Forest Service management had to restructure its thinking regarding financial management. Instead of an administrative nuisance which was given little priority, the agency, from top to bottom had to revamp its outlook and focus on the criticality of what financial information means, how it can be used to increase operational effectiveness and efficiency, and how it is essential to afford Congress the basis to make informed financial decisions. A couple of years ago, I met with the then Chief of Forest Service, Jack Ward Thomas, and stressed these points. Mr. Thomas, a long time Forest Service resource manager and researcher, initiated the plans and mindset which have now been put into place as the result of our talk.

I know the current Chief, Mike Dombeck, shares this view and recently testified before Congress that improvements are a top priority. Working in a partnership with the Department's Office of Chief Financial Officer and my office, the Forest Service has established an agency-wide effort referred to as financial health initiative. Forest Service management has emphasized the importance of financial health to its line managers and developed core financial competency training for these managers, financial staff, and others. The Forest Service issued a financial health desk guide designed as a reference source for all staff to use in properly recording financial transactions. The desk guide provides uniform accounting instructions for accounts receivable, accounts payable, real and personal property, and other transactions.

So the Forest Service's remedial action plan is in place, but what about the Department? The Department decided in 1993 to develop a new accounting system, called the Foundation Financial Information System, to replace the general ledger in CAS. The F–F–I–S, or FFIS as it is called, will serve the Department as a single integrated financial management system and bring USDA into compliance with Federal accounting requirements. The system was originally proposed to be fully functional by October 1, 1998, but has been plagued by numerous problems and schedules have slipped. The central segment, or core, of the system is a commercial off-the-shelf product which has proven to work at other departments. Problems have arisen mainly because the legacy or feeder systems were retained and interfaced with the core package. Although the

Forest Service regions and a research station began processing on FFIS on October 1, 1997, full implementation of the system has been deferred indefinitely.

The Department is working aggressively to rectify all of the FFIS problems. In our opinion, the core FFIS general ledger system is viable and should fulfill the accounting needs of the Forest Service once it becomes operational, precluding the need for the agency to develop its own system.

The foundation has been laid to correct these massive problems; however much work remains. All components are in place. I say that again, all components are in place or are being brought into place to finally result in strong financial management for the Forest Service.

Mr. Chairman, this concludes my statement and I would be pleased to answer any questions you or any member of the committee may have at this time. Thank you.

[The prepared statement of Mr. Viadero follows:]

TESTIMONY OF

ROGER C. VIADERO

INSPECTOR GENERAL

U.S. DEPARTMENT OF AGRICULTURE

BEFORE THE U.S. HOUSE OF REPRESENTATIVES

COMMITTEE ON GOVERNMENT REFORM AND OVERSIGHT

SUBCOMMITTEE ON GOVERNMENT MANAGEMENT, INFORMATION AND TECHNOLOGY

July 9, 1998

Thank you, Mr. Chairman and members of the Committee. I am pleased to be here to provide testimony about the Forest Service's financial management. With me today is James Ebbitt, Assistant Inspector General for Audit.

The Forest Service's financial house is not in order. We can assure you that this has been the case since 1991 when the Office of Inspector General first performed the legislatively mandated annual financial statement audit. We can also conclude, based upon what we have learned, that it is most likely always to have been the case. Although Forest Service management is responsible for the development of reliable financial information, they are not alone in creating the problems that have thwarted achievement of that rudimentary goal. The Department's Central Accounting System, which provides general ledger and financial reporting capability for the Forest Service, has been similarly unable to generate meaningful data and this has exacerbated the Forest Service's predicament. I will briefly describe the problems that exist, what corrective actions are underway, and what the future appears to hold.

The depth of the Forest Service's accounting deficiencies is so extraordinary that even the most fundamental principles, like double-entry bookkeeping first set forth in writing by the Venetian Monk Luca Pacioli in 1494, are not always honored. Perhaps at the core of these problems is the long-standing perception that management viewed itself in the role as the stewards of the nation's second largest aggregate land holding, and focused on all of the attendant resource issues to the detriment of financial management. What management did not recognize was that financial data is also a resource and requires at least the same level of due diligence and caretaking as a Douglas Fir or a riparian area. The accounting procedures to be used throughout the agency have been largely left to the discretion of the Regions or even operating units. Many of the requirements that were established were so loose that the prospect of reliable records was rendered remote; in other instances, meaningful measures were prescribed, but not always complied with. This decentralized approach was not the sole cause of the inadequate accounting but most certainly has been a significant contributing factor. Since OIG's first financial statement audit in 1991 we have reported on the lack of reliable field level data. Without consistently and properly recorded individual transactions, summary financial information is meaningless. In the absence of necessary documentation, financial data is unverifiable. The so-called "audit trail" that allows auditors <u>and</u> managers to trace an accounting event from authorization to completion, has been nonexistent or severely lacking.

I will give you just a few examples of how porous accounting practices not only distort reported financial results but also greatly and unnecessarily increase the risks involved in safeguarding assets.

The Forest Service is the custodian of one of the largest assortment of physical assets in the Government. The total value of its land, roads, buildings, and equipment is currently reported by the Forest Service to be nearly $9 billion. Accordingly, managing these physical assets is obviously a matter that warrants the highest priority. Yet the Forest Service has not managed its property in that manner. Records have been so poorly maintained that it was very difficult if not impossible to determine if all assets that should be at a location are, in fact, in place. For example, one year we found that the Forest Service reported to the General Service Administration that it had $9.2 billion in fixed assets while its own general ledger showed only $3.4 billion. The risk of dollar loss is immeasurable in that kind of environment because without reliable asset records you can't even begin to determine if losses have occurred or if assets have been properly deployed.

Without reliable records an entity's financial position is unknown. In 1995, for example, in an effort to clean up its records, one Region increased the value of its roads by about $1 billion. Obviously the roads had not been lost but an examination of prior year expenditure reports disclosed innumerable miles of roads that had never been recorded to accounting records. A recent audit report issued by the Office of Inspector General at the Department of Transportation (DOT) stated that the Forest Service responded to a national bridge inventory that it had about 3,000 bridges,

whereas DOT believes the number to be twice that.

Accounts receivable is another account that has been frequently distorted. For example, in our audit of this year's financial statements we found that the Forest Service had recorded a $20 million tort claim stemming from a forest fire improperly as an account receivable in that the probability of collection was nil. Accounts receivable are referred to as "liquid" assets in that they are expected to be turned into cash; inflating receivables distorts the agency's financial picture and can impair financing decisions by Congress because anticipated cash will not be available.

Perhaps one of the most persistent problems that has plagued the Forest Service's financial management concerns accounts payable. The Forest Service, at the operating level, has never been able to distinguish between the recognition of the actual liability, the payable itself, which is to be recognized when the ordered goods or services are received, and an intermediary step in the process when funds are obligated but the goods or services requested have not yet been received. Without getting into the detail, governmental accounting principles require these actions to be treated very differently, impacting different types of accounts. We have found since the onset of our audits in 1991 that the Forest Service consistently confuses these two distinct actions, with error rates as high as 76 percent. This area epitomizes, to some extent, the institutionalized nature of the agency's accounting deficiencies. Since 1993, the Forest Service has computed its accounts payable balance statistically by identifying on its own the extent of errors likely to have occurred and

projecting them over the universe of transactions, then adjusting the total. This is analogous to "throwing in the towel." Rather than correcting the errors, the Forest Service tries to estimate how many were made.

The reliability of the Forest Service's financial data has been further eroded by not properly matching debits with credits and by not having internal controls in place to preclude or detect errors. For example, in 1993, as part of the Exxon Valdez cleanup effort, the Forest Service collected almost $9 million in reimbursements for its expenses and obligations. The agency recorded this, however, as a negative adjustment to reimbursements receivable. In other words, the records showed that the Forest Service actually owed Exxon the $9 million. In another example, in 1992 we found that portable radios, costing between $522 and $668 each, had been entered into the personal property subsidiary accounting system by field unit property clerks at acquisition values of between $94 thousand and $91 million for each of at least 11 different radios. The aggregate value per the Forest Service was $270 million at fiscal year end. Forest Service officials could not explain why these amounts had been entered incorrectly into the accounting system. Nonetheless, so obvious an error should have been readily identified. Adequate controls have still not been established, as we continue to find evidence of a lack of supervisory reviews of field level data which contribute to poor accounting data.

Another significant financial weakness that has impacted the Forest Service's operations is the matter of correlating financial activity with the budget process. In fairness to the Forest Service, it is not alone. OMB even

deferred the requirement that agencies formally report on the reconciliation of the two from 1994 to 1997. Some of the Forest Service's processes are unique, however, and have made this essential accountability nearly impossible.

For example, we recently performed a review of deferred maintenance at the request of Congress. In its deliberations on the budget, Congress had asked the Forest Service to report on its backlog of unmet maintenance needs. The Forest Service responded that its backlog was about $7.5 billion. Although many of the outstanding maintenance needs were no doubt routine in nature, like painting a building, others, such as bridge damage, potentially affect public health and safety and warrant prioritized funding considerations. We found, however, that the figure reported to Congress by the Forest Service was not supportable and represented a series of estimates based upon varying criteria. More importantly, perhaps, we also found that the Forest Service could not account for maintenance expenditures because appropriations were received along program lines, like the "National Forest System" and not by functional activity, like maintenance. Further, as funds work their way from the Washington Office to the specific targeted demands, such as repairing a bridge, they are absorbed throughout the process by the overhead needs of the Washington, Regional, and National Forest Offices. We found at the four forests we visited in this review that overhead took between 32 and 50 percent of the funds available.

Another method the Forest Service employs to charge expenses potentially results in a severe distortion of the deployment of funds consistent with Congressional intent. What I am referring to is the Forest Service's use of management codes to account for expenditures along program lines. The Forest Service uses over 100,000 management codes agencywide, most unique to the local levels. Each management code may consist of up to 99 lines of accounting which reflect, for example, the percentage of the distribution of project expenses to the various accounts. Management codes may be changed at any time without specific authorization, approval, or justification. Changing management codes results in the reallocation of incurred expenditures on a fiscal year basis. In other words, the capability exists, and is insulated from scrutiny because there is no audit trail, to move previously charged expenses from one budgetary account, where funds may have been exhausted, to another unrelated account which may be awash in funds. A recent consulting report prepared for the agency concluded that this raised "serious credibility issues within Forest Service financial management" and cites the perception of others that this process constitutes "cooking the books."

Let me now transition to the Department's National Finance Center (NFC) located in New Orleans. After the questionable accounting data has weaved its way through the myriad of Forest Service manual and automated accounting systems, it is input into the Central Accounting System, or CAS. CAS processes the data into the "BUDG" system for budgetary accounting purposes and into the "LEDG" system for financial accounting. Although the same information is input, it is categorized differently; management code

information, for example, is retained in BUDG, but not LEDG. Management codes are initially processed by NFC by the first line of accounting only, then "exploded" or distributed over the remaining lines of accounting. Although its cause has never been established, the BUDG and LEDG systems' results are out of balance. The so-called explosion process appears to be one of the primary culprits. NFC has institutionalized these errors, much as the Forest Service has with accounts payable, by running automated adjustments to bring the two systems into balance without establishing or analyzing the causes of the differences. In 1995, for example, $55 million in adjustments to obligations had to be made. Adjustments of this type are clearly not reconciliations but plugs. Fund balances with Treasury also are plugged because NFC's true balances are not known. In 1997, for example, NFC adjusted its cash account by increasing disbursements by a net of about $1 billion and increasing its deposits by a net of about $175 million in order to agree with Treasury records. The reasons for the differences were not identified. CAS is poorly documented, provides for only summary, and not detailed, data and does not meet Governmentwide accounting requirements. CAS does not have an adequate audit trail and adjustments and so-called reconciliations are processed extensively and without adequate support. Simply stated, the CAS cannot produce auditable financial statements.

Problems of this magnitude cannot be fixed overnight, or apparently, over a decade, given the glacier-like pace of the changes. Major systems changes, of course, are huge and costly undertakings. As noted at NFC, the needs and problems of the Forest Service are not isolated. CAS processes data for over 30 other USDA agencies. But let me go back to the beginning regarding the

problems, what has been initiated, and where the Forest Service and the Department stand. Forest Service management had to restructure its thinking regarding financial management. Instead of an administrative nuisance which was given little priority, the agency, from top to bottom, had to revamp its outlook and focus on the criticality of what financial information means, how it can be used to increase operational effectiveness and efficiency, and how it is essential to afford Congress the basis to make informed financing decisions. A couple of years ago I met with the then Chief of Forest Service, Jack Ward Thomas, and stressed these points. Mr. Thomas, a long time Forest Service resource manager and researcher, initiated the plans and mindset which have now been put into place as the result of our talk. I know the current Chief, Mike Dombeck, shares this view and recently testified before Congress that improvements are a top priority. Working in partnership with the Department's Office of Chief Financial Officer and my office, the Forest Service established an agencywide effort referred to as the "financial health initiative." Forest Service management has emphasized the importance of financial health to its line managers and developed core financial competencies training for managers, financial staff, and others. Most staff have now received some training geared toward improving financial accountability. The Forest Service issued a financial health desk guide designed as a reference source for all staff to use in properly recording financial transactions. The desk guide provides uniform accounting instructions for accounts receivable, accounts payable, real and personal property, and other transactions.

The desk guide and training are intended to improve the quality of field level accounting data and compliance with Federal financial accounting standards. During FY 1997, OIG monitored field office efforts to improve data quality. All units we reviewed had begun to implement national financial health plans. While progress varied from unit to unit, all units were actively engaged in (1) the cleanup of erroneous accounting data and (2) improving accountability over real and personal property, accounts receivable and accounts payable. In addition, a full-fledged agencywide inventory has been in process for some months and is expected to be completed soon. The Forest Service, in response to our recommendations, has also agreed to significantly limit changes to management codes and to document the changes that are made.

So, the Forest Service's remedial action plan is in place, but what about the Department? The Department decided in 1993 to develop a new accounting system, called the Foundation Financial Information System, to replace the general ledger in CAS. The FFIS, as it is called, is supposed to serve the Department as a single integrated financial management system and bring USDA into compliance with Treasury, OMB, and Governmentwide accounting requirements. FFIS, which was originally proposed to be fully functional by October 1, 1998, has been plagued, however, by numerous problems and schedules have slipped. The central segment, or core, of the system is a commercial-off-the shelf product which has proven to work at other Departments. The Department, in consultation with the user agencies, opted to retain the legacy "feeder" systems at NFC, however, and interface them with the core package. We have monitored the evolution of the system and

have reported concerns regarding the adequacy of the system's testing and the problems encountered by retaining the poorly documented legacy systems. Two Forest Service Regions and a Research Station began processing on FFIS on October 1, 1997. Significant problems have been encountered, however, and full implementation of the system has been deferred indefinitely. The Office of Chief Information Officer recently contracted for an independent verification and validation of FFIS. The contractor's draft report indicated that further implementation of the system, as currently configured, bears great risk.

The contractor was also sharply critical of the Forest Service's management code explosion, referring to it as a "millstone around the neck of FFIS." The report noted that the process increased the difficulty in coding and testing and has unduly saturated central processing unit time. The Forest Service, in response to our recent interim report, has agreed to eliminate the redistribution of expenses capability from FFIS. The Department is aggressively working to rectify all of the FFIS problems. In our opinion, the core FFIS system has been proven to be viable and should fulfill the accounting needs of the Forest Service once it becomes operational. This would alleviate any need for the Forest Service to develop its own general ledger system.

The foundation has been laid to correct these massive problems. Much work remains, however, but all the components are in place, or are being brought into place, that can result in strong financial management for the Forest Service.

Mr. HORN. I would like Representative Hastings to begin the questioning.

Mr. HASTINGS. Just really one question out of all that. I have to say I—I was not shocked I guess, but your opening sentence of your second paragraph was pretty strong.

But you feel that—let me just back up. In your testimony, you suggested that this has always been the case. The Department for whatever reasons, and maybe you can give me those reasons, never wanted to address this. Why do you think that happened? Did you pick any of this up when you were going through the books and so forth as to why this was never done before?

Mr. VIADERO. Well, sir, I arrived in 1994. I am a career person from the Federal Bureau of Investigation, and I arrived at the beginning of fiscal 1995 and this is when I got involved in this debacle of accounting, if you will, throughout the Department on a consolidated statement. At that time, Forest Service was not out on its own, we had other agencies. However, for the most part, we have been able to change those other agencies around.

We find the primary problem here is due to the legacy system or these feeder systems. They have a system, this FFIS that we mentioned, that is down in New Orleans, and it works well. The problem with the Forest Service is this retroactive redistribution where they go in there and it is like a shell game, we just keep moving the dollars around, but yet, we do not get a true picture of what we have done. They went on line, as I mentioned, on this FFIS, with about three or four regions October 1, 1997, and they have not received—I repeat, have not received any management reports or financial reports out of this system because of this retroactive redistribution. That is the cause of this massive delay.

We notified the Secretary last week that the Forest Service could possibly be antideficient. I had to do that as the chief auditor for this Department, to let it out there and let it be known that we might be looking at some significant issues here in antideficiency, since there is no basis in fact through the accounting records to determine what has been spent this year.

Mr. HASTINGS. Is there anything that Congress can do? I assume there will be something that will come to us—that we should be doing that we are not doing?

Mr. VIADERO. Well in answer to that, Congressman, we got the attention of the Forest Service, we have their attention. Now their hearts and minds will follow, I assure you. To that extent, what we are looking at is that the system which is in place, works. We have gotten them to get rid of this retroactive redistribution, all of these management codes. The system in place works. We want debits and credits. To me, this is a no-brainer, debits equal credits, since 1494. They have not been able to get that through yet. In the last 6 weeks, they have scrapped their retroactive redistribution and with that, we hope now that all of these feeder systems that go into the central accounting system, this FFIS down at the National Finance Center, that is all it does is record debits and credits.

You know, we can massage things out of debits and credits into any form anybody wants, but from the auditors' opinion, so we can report back to you, our clients, the IG's client of course is the Con-

gress and the people, exactly the financial position of the Forest Service.

Mr. HASTINGS. One last question. In your view, would you suggest to us or advise the Congress that we be wary of whatever numbers come out of the Forest Service in this regard, as to budgetary items, cost items, so forth?

Mr. VIADERO. Well, I could not advise you to the contrary, Mr. Congressman. Mr. Ebbitt informed me on the way out here that on Friday afternoon, the fiscal 1997 financial statements were finally presented to us and those were basically due to us December 1. So we are about 7 months behind the curve on that, and that is part of the department's consolidated financial statement, which I will review next week and hopefully get out next week.

I just want you to understand the IG's office is not the cause of the delay of these financial statements.

Mr. HASTINGS. OK, thank you very much, Mr. Viadero.

Mr. VIADERO. Yes, sir.

Mr. HORN. Well, it is a great pleasure to have you here, Inspector General. I recall that back about 3 years ago, you chaired the debt collection group of the chief financial officers and I was glad to put that into legislation and I stole every word you suggested and we now have it as law of the land, and I think it is a major contribution to getting the deadbeats to pay back their debts that they owe to the Federal Government, namely the taxpayers.

So thank you for coming. And I guess after listening to you and your common sense view and your no-holds barred, I am tempted to ask Mr. Ebbitt, after doing the audits, are you also his food taster in the Agriculture cafeteria. [Laughter.]

Mr. VIADERO. He starts the car though.

Mr. HORN. Who eats first, I do not know.

Let me just go through a few questions here that interest me, before you leave.

The Forest Service predicts that its new financial management system will be in place by September of this year. Do you have any confidence that will occur?

Mr. VIADERO. None whatsoever.

Mr. HORN. OK. I am glad we did not have a lot of qualifications on that answer. [Laughter.]

I think we know from your testimony why the Forest Service cannot seem to implement the same financial system, but this decentralization bit that you mentioned, have you looked at it strictly in at least a few cases of what the region or what the particular forest has in accounting? Do they have any systems that give them timely information as a manager of the resource?

Mr. VIADERO. I am going to ask Mr. Ebbitt to give me a hand on this one.

Mr. HORN. OK. Mr. Ebbitt.

Mr. EBBITT. Thank you, Mr. Chairman.

Essentially, decentralization in and of itself is not really the problem, if you have strong management controls overseeing the process. But the Forest Service has not had that. So while you can continue with a decentralized approach, which the Forest Service has to do since they are so widely distributed, you have got to have strong controls in place.

I think they are making some progress to address that situation. With our assistance, they have come out with a desk guide that is supposed to be out there in every forest, every district, that the person that is inputting the data at the front end can open the book and look at it and say how do I treat an accounts receivable, how do I treat an accounts payable and so on. So hopefully, you will get some standardization through that kind of a process. That is what you have to have.

Mr. HORN. Yes. So your answer would really be on the decentralization, you hope that that data base will be really worked through at the departmental level, but be, I would hope, management purposes for the local officials that have to administer a budget.

Mr. EBBITT. Absolutely. I mean it really cannot work in any other fashion. It starts there at that district office level where the information is needed, but then it has got to be consolidated into the department's and the Forest Service's overall report and you have got to have strong controls at the front end to get that accomplished.

Mr. HORN. Every executive job I have ever had, I had the controller or the chief financial officer give me a statement every month which showed percent of fiscal year elapsed and percent of money spent by category, be it a programmatic or a functional category. Does the Department of Agriculture have that?

Mr. EBBITT. Mr. Chairman, you would be a disappointed chairman of the board with the current state of affairs in the Forest Service, because you would not get those reports. That is exactly what is not happening now. The central accounting system cannot produce those kinds of reports. The new system, the Foundation Financial Information System, hopefully will be able to do that in the future, but when we left town last week, as of last Friday, such a report for the two regions and the lab station that is currently using FFIS, were not available yet for the current fiscal year. That calls into concern the antideficient situation that the IG mentioned.

Mr. HORN. I was going to follow up on that and you led me to it, in terms of the Anti-Deficiency Act. That is a very serious situation, as we all know. The law has been on the books for at least 100 years, has it not? And I do not know if any cabinet officer has ever gone to jail but there are—and I am not sure if there are punitive actions, I believe there are, it is just the U.S. attorney has not brought them or the President has called them off, or something like that.

But what can you tell me about that act?

Mr. VIADERO. Well, again, we are not stating that in fact the Forest Service is antideficient, but here we are in the fourth quarter of the fiscal year and not one management report has been let on what the Forest Service's actual expenditures are, and that is from the chief accountant of the department, the chief financial officer, if you will. So the Forest Service is dealing with off-line systems to manage their funds at this time, and that is just a deplorable condition.

I can tell you that as the manager of the Office of Inspector General, I get monthly management reports. I want to know how far into the year I have spent and what is left over and if we have to

move funds around, we will move them around, especially in the fourth quarter. In the Forest Service, we just do not know what is there because these folks—and this is not their fault necessarily—these folks just have not been given timely and/or accurate information.

Mr. HORN. Well, you know, it reminds me of what I did with money in the final quarter of a fiscal year. You can make up for a lot of things you really have not been able to expend during the year, because you have got an ongoing base program. But then you get into something like weeds, and if they had those data, they could redirect, reprogram money in the last month of the fiscal year and solve a lot of these problems that sort of creep up on you unless you do something about them. That is why good management cannot occur unless you have good accounting.

At this point in the record, without objection, I am going to put a section from the Congressional Research Service on the Anti-Deficiency Act, just for the education of those who will read this hearing.

[The information referred to follows:]

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CRS Report for Congress

General Management Laws: A Selective Compendium

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Project Coordinator

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Government Division

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H. Antideficiency Act

Statutory Intent and History

The so-called Antideficiency Act (33 Stat. 1214, and 34 Stat. 27; 31 U.S.C. 1341-42) actually consists of a series of provisions and revisions incorporated into appropriations laws over the years, relating to matters such as prohibited activities, the apportionment system, and budgetary reserves. These provisions, now codified in two locations in Title 31 of the United States Code, continue to play a pivotal role in the execution phase of the federal budget process, when the agencies actually spend the funds provided in appropriations laws.

The origins of the Antideficiency Act date back to the nineteenth century. The initial portion, enacted in 1870 as Section 7 of the General Appropriations Act for Fiscal Year 1871, provided:

> ... that it shall not be lawful for any department of the government to expend in any one fiscal year any sum in excess of appropriations made by Congress for that fiscal year, or to involve the government in any contract for the future payment of money in excess of such appropriations. (16 Stat. 251)

The intent was to prevent expenditures in excess of appropriations. Section 5 of the 1870 law also addressed the issue of congressional controls over budget execution, though not the question of preventing deficiencies. Instead, it provided that unexpended balances of appropriation accounts could only be applied to payment of expenses or contracts incurred during that year.

Major legislative provisions, often referred to as the Antideficiency Acts of 1905 and 1906, sought to strengthen the prohibitions of the 1870 law by expanding its provisions, adding restrictions on voluntary services for the government, and imposing criminal penalties for violations. Most importantly, the laws established a new administrative process for budget execution. This process, which remains in use today, is termed "apportionment" and results in the distribution of the budget authority provided in appropriations law to the agencies in installments, rather than all at once.

In order to provide against disproportionate spending rates by agencies, the 1905 legislation mandated that appropriations be "so apportioned by monthly or other allotments as to prevent undue expenditures in one portion of the year that may require deficiency or additional appropriations to complete the service of the fiscal year ..." However, the fiscal discipline of this provision was weakened by language allowing apportionments to be "waived or modified in specific cases by the written order of the head of the Executive Department or other Government establishment having control of the expenditure...." (33 Stat. 1257-58).

This exemption from apportionments by written order provided a broad loophole, widely used by department heads. The 1906 revision sought to tighten

the waiver language by stipulating that apportionments could not be waived or modified "except upon the happening of some extraordinary emergency or unusual circumstance which could not be anticipated at the time of making such apportionment" (34 Stat. 48-49). Moreover, any waiver or modification of apportionment was to be justified in a writing and communicated to Congress "in connection with estimates for any additional appropriations required on account thereof."

In 1933, with Executive Order 6166 issued pursuant to the Economy Act of 1933 (48 Stat. 16), authority for "making, waiving, and modifying apportionments of appropriations" was transferred from agency heads to the Director of the Bureau of the Budget (BoB). However, BoB had earlier exerted control by administrative means, such as a circular directing each agency to estimate an indispensable level of funding to carry out its activities. Following review by the Bureau and approval by the President, the remainder of the appropriation, or estimated savings, was to be designated a "General Reserve." So, the apportionment process came to have two objectives: to prevent deficiencies and to effect savings.

The continuing growth and complexity of the federal budget strained the existing system of administrative controls over funds. Eventually, another substantial revision of Antideficiency Act provisions occurred in 1950 (P.L. 81-759, 64 Stat. 595), largely based on recommendations in a report to Congress from the Bureau of the Budget and the General Accounting Office.[1]

The BoB/GAO report suggested that changing conditions during the fiscal year would always require some readjustments, but such changes could be expected to result in surpluses as well as deficiencies. The 1950 amendments incorporated this view and, for the first time, provided a statutory basis for budgetary reserves. The amendments also expanded upon the provisions of earlier regulations by stipulating four justifications for establishing reserves: (1) to provide for contingencies, and to effect savings whenever savings are made possible by or through (2) changes in requirements, (3) greater efficiency of operations, (4) or other developments subsequent to the date on which such appropriation was made available. The 1950 amendments further spelled out more detailed instructions for the operations of the apportionment process beyond the establishment of reserves, and for subdivision of apportionments at the agency level.

In the mid-1950s, Congress enacted a provision relating to the administration of the apportionment system by the agencies. This 1956 amendment simplified agency systems for subdividing funds by eliminating

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[1] Report and Recommendations by the Director of the Bureau of the Budget and the Comptroller General of the United States with respect to the Antideficiency Act and Related Legislation and Procedures. Submitted to Senator Styles Bridges, Chairman of Appropriations Committee, June 5, 1947. Typed manuscript. 35 p. Cited by Louis Fisher, *Presidential Spending Power*, (Princeton, NJ: Princeton University Press, 1975), p. 155.

multiple pockets of funding authority, known as "allowances," so that administrative controls in the apportionment system would consist solely of allotments (P.L. 84-863, 70 Stat. 782). The following year, provisions relating to the apportionment system were further revised. The effect of the changes was to prohibit the request for apportionments or reapportionments necessitating a deficiency or supplemental estimate unless the agency head determined that such action fell within the exceptions expressly set out in the law (71 Stat. 440).

Major Provisions

There are four main types of prohibitions contained in the Antideficiency Act, as amended: making expenditures in excess of the appropriation; making expenditures in advance of the appropriation; accepting voluntary service for the United States, except in cases of emergency; and making obligations or expenditures in excess of an apportionment or reapportionment, or in excess of the amount permitted by agency regulation.

The limitations on expending and obligating amounts (31 U.S.C. 1341) prohibit an officer or employee of the United States government or of the District of Columbia government from:

- Making or authorizing an expenditure from, or creating or authorizing an obligation under, any appropriation or fund in excess of the amount available in the appropriation or fund unless authorized by law; and

- Involving the government in any contract or other obligation for the payment of money for any purpose in advance of appropriations made for such purpose, unless the contract or obligation is authorized by law.

The limitations on voluntary services (31 U.S.C. 1342) prohibit an officer or employee of the United States government or of the District of Columbia government from accepting voluntary services for the Untied States, or employing personal services in excess of that authorized by law, except in cases of emergency involving the safety of human life or the protection of property.

An entire subchapter (31 U.S.C. 1511-1519) deals with the apportionment system. It contains provisions for definitions and application, for apportionment and establishment of reserves, for officials controlling apportionments, for the administrative division of apportionments, and for authorized apportionments necessitating deficiency or supplemental appropriations. The subchapter further provides for exemptions, prohibited obligations and expenditures, and sanctions entailing adverse personnel actions and criminal penalties. The subchapter does not apply to Congress (the Senate, House of Representatives, congressional committees, a Member, officer, employee, or office of either House of Congress, or of the Office of the Architect of the Capitol) (31 U.S.C. 1511(b)(3)).

The central enforcement provision is found in Section 1517. An offi employee subject to apportionment is prohibited from making obligation expenditures in excess of an apportionment or reapportionment, or in excess o the amount permitted by agency regulation. Violations are punishable by appropriate administrative discipline, including possible suspension from duty without pay or removal from office (Section 1518), and/or by criminal penalties, including a fine of not more than $5,000, imprisonment for not more than two years, or both (Section 1519).

Discussion

The framework for the apportionment process, as refined in the 1950 amendments, remains the basis for federal budget execution. However, evolution of the process continues, occasionally being modified by statute or executive order, but more frequently affected as a result of agency regulations, decisions of the Comptroller General, and other legal opinions.

The Impoundment Control Act (Title X of the 1974 Congressional Budget and Impoundment Control Act, 88 Stat. 297) amended the 1950 language regarding budgetary reserves in an effort to tighten control over executive branch discretion. The 1974 legislation served to delete the "other developments" justification contained in the 1950 amendments. Henceforth, reserves were to be established "solely to provide for contingencies, or to effect savings whenever savings are made possible by or through changes in requirements or greater efficiency of operations" (88 Stat. 332). Under the 1974 law, reserves were to be considered as a type of deferral, or temporary postponement of spending, in contrast to a recision, or permanent cancellation.[2]

The prohibitions in the Antideficiency Act against spending monies in advance or in excess of appropriations sometimes lead to "funding gap" situations--when action on appropriations measures is not completed before the start of the new fiscal year and interim continuing resolutions lapse or are themselves delayed. For many years, agency officials generally maintained operations during periods of expired funding, while attempting to cut or postpone all non-essential obligations. Such action, while in technical violation of the Antideficiency Act prohibition on incurring obligations from Congress, was usually redressed by passing continuing resolutions effective retroactively to the beginning of the fiscal year.

The situation changed in the early 1980s with the issuance of two opinions by Attorney General Benjamin Civiletti concerning implications of the Antideficiency Act in instances of funding gaps.[3] According to these opinions,

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[2] A restatement of deferral authority was provided in the Balanced Budget and Emergency Deficit Reduction Reaffirmation Act of 1987 (101 Stat. 785-786).

[3] "Applicability of the Antideficiency Act Upon a Lapse in an Agency's Appropriations," 4A Op. O.L.C. 16 (1980); "Authority for the Continuance of Government Functions During a Temporary Lapse in Appropriations," 5 Op. O.L.C. 1 (1981).

when appropriations lapse federal managers are to act immediately to terminate the agency's normal operations in an orderly way; however, various exceptions in the Antideficiency Act allow some functions to continue. The Attorney General also stated that the Department of Justice would strictly enforce the criminal provisions of the Act in cases of future violations.[4]

Selected Source Reading

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Virginia McMurtry

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[4] See U.S. General Accounting Office, *Funding Gaps Jeopardize Federal Government Operations*, PAD-81-31, (Washington: GAO, 1981). The 1980 and 1981 Opinions of the Attorney General are included as Appendices. The Budget Enforcement Act of 1990 (104 Stat. 1388-573), amended Title 31 to further limit voluntary services allowable under the Antideficiency Act.

Mr. HORN. Your testimony said that in the accounts payable area, the Forest Service has an error rate of 76 percent and what is the consequence of that high error rate?

Mr. EBBITT. Mr. Chairman, the primary issue is that in the final analysis, the Forest Service does not know what payables they have. It gets back to the main problem of when is a payable a payable. It should not be a payable until you have the goods and services in hand. The Forest Service does not do their business that way. They record it as a payable when an order is placed although the order may not be delivered for some months, and perhaps lapse over into the next fiscal year. You cannot keep your books that way.

So when the Forest Service attempts then to project what they think payables are, it is a crazy system, they are trying to make a projection based on mistakes that are found, to clean up the system. It makes no sense. You cannot put any faith in the number whatsoever.

Mr. HORN. I think in the first part of this hearing in Bellflower, we had a couple of outside witnesses say that the budget people and the financial people are usually in different buildings and even in different cities. Is there any talking between the budget group and the financial group?

Mr. EBBITT. Well, I think it is obvious, there really has not been enough talking. Over the years, in the Forest Service, one of their main problems has been personnel in this area, in the financial management arena. For the last 9 months essentially, there has not been a CFO at the Forest Service, there has not been that person at the top directing the financial management activities of the Forest Service. They have been working to fill that position and I understand that either perhaps this week or very soon a new CFO is about to come on board. But that has got to occur, they have got to get these folks talking together.

Mr. HORN. That error rate, is that consistent with error rates in other bureaus or administrations of the Department of Agriculture?

Mr. VIADERO. Well, we are very happy to state that the Forest Service is out on their own with that particular error rate.

Mr. HORN. They are the winner.

Mr. VIADERO. Nobody else comes near it.

Mr. HORN. Sort of something patriotic about 76.

Mr. VIADERO. Yeah, they got the prize, sir.

Mr. HORN. Well, the British are coming, Forest Service.

Mr. VIADERO. I have got the lamps ready.

Mr. HORN. Let us see what happens.

The subcommittee received word about missing firearms at the Forest Service. Are you aware of any such problems?

Mr. VIADERO. I became aware of them at—last Wednesday afternoon in Glynco, GA, at the Federal Law Enforcement Training Center. A message was passed on to me that there appeared to be missing firearms and/or lost or stolen, for lack of a better term. I met with Mr. Ebbitt, the assistant IG for audits, and I spoke with John Novak, who is the acting IG for investigations, to put an audit plan together and we are about to go out nationwide and we will go out to the Forest Service and see what weapons are on the books and records and where they are. Any weapon that is not

found, that is either lost or stolen, we will enter into the National Crime Information Center, which is NCIC, that the FBI runs. If anybody does come up with it, it will be stolen Government property and it will be a felony, whether that person be a Government employee or not. That is a quick way to ensure that all the guns come up.

Mr. HORN. Are there any national inventory records of how many guns are supplied and budgeted to various forests? I did not know we were really in the gun business either until——

Mr. VIADERO. Well, sir, I conduct—as the Chief, Office of Inspector General, as you know, we have the aggregate of the special agents assigned to Agriculture, we do annual weapons inventories. That is a carryover from my FBI days. The Forest Service I understand does have an inventory. We will have to take their inventory, see how current it is and roll it forward.

Mr. HORN. Well, at least, they will not get to the lost missile launcher by the Pentagon, so maybe we are lucky.

Mr. VIADERO. They might have one of those too, sir, I do not know. [Laughter.]

Mr. HORN. Are they using .45's, .38's or what?

Mr. VIADERO. They are—right now they are all scheduled to be Glock model 19, 9 millimeters.

Mr. HORN. We get classier and classier.

Given the Forest Service's poor record on financial management, do you have confidence that the recreational user fees will be used for their stated purpose?

Mr. VIADERO. At this time, sir, I have no confidence in anything until I get some reports out of the system. But I would also like to tell you I personally have not been involved in the recreational user fees and I think I might be misleading you if I made a conclusion either way.

Mr. HORN. Well, do you think you might want to put it on your agenda of things to do? I realize you have priority one and priority two, I understand that. But we are now getting some real money into these accounts and it is something your office might want to take a look at.

Mr. VIADERO. It will definitely come up as part of the financial review for fiscal 1998, yes, sir.

Mr. HORN. Good. Any other questions?

Mr. HASTINGS. No, I do not.

Mr. HORN. Well, we thank you very much, both of you, for coming out this way. Hope you enjoy the drive through the forest back, if you are headed for Seattle.

Mr. VIADERO. It is a great country.

Mr. HORN. It is. All that clean air is getting to me. I like to feel air, you know, grab it.

Mr. VIADERO. Unfortunately we got caught in the rush hour last night.

Mr. HORN. Did you? Yeah, they have bumper to bumper problems.

Mr. VIADERO. Both Mr. Ebbitt and myself thought about what it will be like next Monday, just leaving the building to go home. We look forward to seeing you next week.

Mr. HASTINGS. I would just simply say the problem you had last night is one more difference between eastern Washington and western Washington.

[Applause.]

Mr. VIADERO. I come from the south Bronx, not the Bronx, so I will leave that one alone. [Laughter.]

Mr. HORN. OK, thank you, gentlemen, appreciate it.

Now we will get back to our panel and we appreciate your patience and indulgence, but that was very important information, as I think most of you will agree, that we have on the record. And it was new to most of us.

Mr. HASTINGS. It absolutely was new.

Mr. HORN. So that is why we have inspectors general, that is an office established by Congress 20 years ago and they do a superb job of keeping things honest.

So let me—did you have some further questions?

Mr. HASTINGS. I just wanted to ask one question of Ms. Kennedy. In your statement, and you kind of went through it very quickly and that was I think a sense of frustration that you have with the environmental assessments and the time that that takes in order for the Forest Service to respond to a new noxious weed that comes in. Could you kind of walk us through what that process is?

Ms. KENNEDY. Yes. Basically I will give you the orange and metal hockweed example. We originally found that in 1995, we got the reports from Idaho because they are losing 30,000 acres. We wanted to get right on top of it right away. We found our largest infestation on Forest Service land. We got in touch with them right away, asked them to—you know, we gave them the information, told them that a herbicide is the best method for this particular species because it spreads by roots, root fragments, and also by the seeds.

They at that point started their environmental assessment and due to lack of funding and due to the entire process——

Mr. HASTINGS. Let me interrupt you just a moment. Now by law, the Forest Service has to go through this environmental assessment.

Ms. KENNEDY. Yes.

Mr. HASTINGS. It is not something—it is by law that they have to do this.

Ms. KENNEDY. By law, they have to do this, they have to be real site-specific, because of the NEPA documentation, the NEPA law. So they have to go out and look at the site, do all the site preparation and analyze the site. Due to lack of funding over the last—it has taken them 3 years. Basically it has taken them 3 years and a cost of $50,000 in order to get that one environmental assessment completed. This is the first year—just 2 weeks ago was the first herbicide treatment that they applied to the orange and metal hockweed. Unfortunately, with a plant that spreads the way that that one does and it is in an area where recreation is up there, wildlife is up there, those seeds were spread, and now some of that hockweed has moved outside of the boundary of that EA, so another EA is going to have to be completed in order to get those satellite infestations. It is devastating when something takes that long in order to get approved when, like I said earlier, their entire 500

or 600 acres could have been treated for less than $1,000. It is a lot of money for paperwork with no implementation on the ground. It is devastating.

Mr. HORN. I must say, I grew up on a ranch, I still have it, but hockweed I am not familiar with. Could you sort of describe it to me?

Ms. KENNEDY. It is a new infestation. It looks a lot like a dandelion when the flowers actually——

Mr. HORN. Those I am familiar with.

Ms. KENNEDY. Right.

Mr. HORN. Five hundred in my backyard.

Ms. KENNEDY. There you go, that is it. Once they flower, they have got that little parachute that can blow in the wind for miles. It adheres to wildlife. It has got a hairy stem to it, it is very easy to control, but the biggest thing is you have got to get on it right away because if it is let go, the rosette causes very severe matting problem where seedlings cannot grow, nothing will grow in between it, it will choke out everything.

Mr. HORN. They just soak up all the water too.

Ms. KENNEDY. Right.

Mr. HORN. And how high do they get?

Ms. KENNEDY. They get—it depends. The more moisture, they could have healthier plants—but between 6 to 12 inches tall. Some of the metal hockweeds, about 15 inches tall.

Mr. HORN. Interesting.

Mr. HASTINGS. One more question, if I may, Mr. Chairman. Mr. Gladies, in view of just the previous testimony that you heard from the IG and in looking at your testimony where you have a lot of graphs, you alluded to several of them in your testimony, does that cause you some discomfort now, what you heard with what you are comparing with as to costs and expenditures and so forth?

Mr. GLADIES. Yes and no. We in the industry that track timber look pretty close at the records and we believe that the Forest Service timber records are fairly accurate, although we do differ in how much volume they sell, because cruising versus scaling gets different results.

But I have got to tell you, listening to the IG, I am struck—and listening to Mr. Williams' discussion, there is a lack of accountability in the Forest Service. In private industry or in most State and local governments, if there were those kind of discrepancies, the employees would not be there. That does not happen in the Federal Government, and I believe, having been a Federal employee, that that rests at the feet of Congress. There has not been a lot of oversight when there are discrepancies found and there has not been a lot of personal consequence.

Now none of us like to say well, you have got to fire somebody, but I have got to tell you, when that kind of money cannot be tracked, I think Congress ought to be doing more oversight with the agency.

Mr. HORN. Well, I can assure you we do our best at Government Reform and Oversight to make up, because the authorization committees and the appropriations committees are very busy throughout the year both with policy questions and the actual allocation of money. So we have got about eight subcommittees on our full

committee that try to make up for that. Some people have said we ought to move to a 2-year budget and then the authorization and appropriations committees could spend 1 year going out to look at operations so they would know more for the year they have to make judgments. And it is not a bad idea, but I do not know that it is ever going to happen.

Mr. GLADIES. If you read back into the history of the Forest Service and you read the personnel performance reviews that were done in the early Forest Service by Gifford Pinchot, there were rangers and supervisors that were terrified because they were very blunt, what they found, what they liked, what they did not like. That does not happen within the Forest Service personnel system anymore, of really writing out discrepancies and rewarding, you know, personnel victories and good performance.

When you have a supervisor who no longer has within his annual performance review targets that say this is what you are supposed to produce and did you or did you not, that is a prescription for not getting a lot done. The agency has gone from, in many instances, an agency that did things on the ground to one that plans. Well, planning is pretty hard to run through a performance evaluation, and I personally believe that a little more attention to producing targets—and this Congress walked away from timber targets in the early 1990's and said we are not going to hold regional foresters to a level—you know it is pervasive within the system to just say well, we will produce whatever we produce. That is not a good way to get things done. In any organization that is successful, they have some pretty hard targets and goals and within the Federal Government, within the Forest Service that I am familiar with, we have lost that. And I am no longer an employee, but it hurts when I hear some of the stuff that I heard from the IG today.

Mr. HASTINGS. I do not have any more questions, Mr. Chairman.

Mr. HORN. I thank the gentleman for that line of questioning.

Let me go through a few sort of summary things here. Remind me how many here were opponents of the recreational fee? One, two, three. And over here, you are supporters of it? I just want to get it straight—with or without reservations.

So here is the question to both groups—if we do not have the recreational fees, who—and we are trying to balance the budget, which we are and it has not happened since 1969, but we are serious on getting surpluses and also retiring a $5.3 trillion national debt. And that is what we will do with at least half of the surplus, I think that Representative Hastings would agree, that is certainly how a majority feel on our side.

Now where should the additional revenue for forest amenities come from, given the importance of—and the interest of people in recreation and especially those in large urban areas, even smaller towns nearby that would like to take advantage of the forest, not on the timber side but more on the recreational side? Any ideas where the money ought to come from? Mr. Tingelstad.

Mr. TINGELSTAD. Well, I do not think there is a question personally of whether there is enough money. I think the problem is how the money is being allocated. As far as where the money comes from to run the forests, from what I can see, logging has hardly been the financial boost that I hear some people seem to say that

it is. In fact, it seems as though it has cost the American taxpayer hundreds of millions of dollars. I think that if they had broke even, and not lost hundreds of millions of dollars, that would have been—they could have cleared a lot of trails with that.

I also think that—real briefly—that a lot of money is spent, and a large amount of money is spent, such as $3.3 billion of our tax dollars in just 5 years, to benefit huge timber and forest companies like Weyerhauser and Georgia Pacific. There are example after example of corporate welfare. I think that there is an awful lot of money out there going in an awful lot of directions that people have no idea. McDonald's gets millions of dollars, Gallo Wines, California wineries, get millions of dollars to advertise overseas. The list is long. They estimate—this is Common Cause—that corporate welfare alone will cost the American taxpayers $265 billion in the next 5 years. That is a lot of trails and restroom facilities for the Forest Service, if I am not mistaken.

The amount of money that it takes to run the Forest Service is minuscule when you compare it to figures like those. I think the money could be found without charging the public.

Mr. HORN. Mr. Mitchell.

Mr. MITCHELL. Well, I think that it is desirable that the National Forest System continue to be managed as part of the national infrastructure, as it was originally envisioned to be, by Teddy Roosevelt and Gifford Pinchot and a number of other visionaries of that time. The general appropriations route, I think, is a proper route.

In terms of losses, I think it is kind of a matter of pick your poison. Timber is going to lose you—the timber program of the Forest Service is going to lose you in totality about $2 billion a year, if we continue to do it. That is in appropriations. The recreation program is going to be about $230–$240 million, so there is a difference almost of an order of magnitude between those two figures.

The Forest Service itself, and the citation is in my written testimony, they project that by next year, the year 2000—well, a year and a half—that the recreation, and particularly hunting and fishing on the national forests, is going to generate 31 times the revenue to the American economy that the current timber program does and it is going to generate 38 times more jobs than the timber program does. So for a rather small investment in maintaining all of the other multiple uses except for the timber program, we can be producing a lot more goods and services, if you want to look at it from that point of view.

So I say cut the big loss and we should continue to fund it through appropriations.

Mr. HORN. Mr. Silver.

Mr. SILVER. According to the Forest Service's own estimates, once fee demonstration becomes permanent and no longer demonstration, we will raise $300 million over the first 6 years of its implementation, it amounts to $50 million a year. That is trivial.

Basically, fee demonstration is as I said before, a referendum to see if we want to manage our forests as a pay-for-play recreation playground. The American Recreation Coalition, which has worked for 20 years to get us to this point, is a group that is basically representing the interests of motorized recreation, representing the in-

terests of developers, the Disney Corp., Chevron, Exxon, and basically is representing a whole new group of people looking at our public lands as an opportunity to make enormous investments and enormous returns on their private capital.

Fee demonstration is not an issue of raising money for trail maintenance. The amount of money we are talking about is truly minuscule. But the big money will come once you start coming up with new products, eco-tainment, edu-tainment, recre-tainment. That is what is driving it and that is why we have a private corporation representing 120 corporations, paying to implement this program.

So it is just not about raising $50 million a year. It is about a new management paradigm, industrial strength recreation as the next extractive use of our public lands.

If paying a fee were to protect our land from privatization, I would pay the fee gladly. But paying the fee is basically the way to privatize our land now and it is the last thing in the world that I am prepared to do.

Thank you.

Mr. HORN. Ms. Burke.

Ms. BURKE. Well, I do not think our association is opposed in this country to a privatization of a lot of things. But to look at where the money should come from to provide to the public those things it wants from the forests—I understand the public thinks it owns the Forest Service land and it uses it for many different purposes. But the people in my business pay the Government and we always have. We pay for a certain precise renewable product, it is not extracting, it is a renewable product, that we manage usually in conjunction with our own ranches and we have to manage them together because your requirements on us are more onerous certainly than our ability to have our private management considered by you.

But I think basically if the costs were allocated to the beneficiaries, as we said to begin with, that is a very helpful point of departure. Second, I think we need to separate out those costs that are not to the development of the product, whether you are talking about timber or grazing or recreation, but those costs that are say, accrued to litigation, those costs that accrue to other things I understand the Forest Service has to do, like manage for the Endangered Species Act and manage for the Clean Water Act. The management that is going on in the Wenatchee Forest, for example, is probably more burdensome because of those two acts than it is for equipment. So we would just call that to your attention.

I was encouraged to hear what you heard this morning about the accounting procedures and I think if those come, you know, to fruition, I certainly think, Congressman Horn, you will see that they do, that then you will have a better answer to that question. Who is the beneficiary and really what is the cost that they need to pay.

Mr. HORN. Thank you. Ms. Kennedy.

Ms. KENNEDY. Mine will be short and sweet. Basically I believe that we would support this because it would share the burden of sharing that land. You know, people and wildlife are the main spread of noxious weeds. I am focused on that, I cannot get away much from that. Right now, the Forest Service budget is very low

in controlling those noxious weeds and I do believe that this might be a way of sharing some of that burden and getting the work done on the ground that is needed before we do not have any recreation land, timber land or ecosystems left in this area.

Mr. HORN. Mr. Williams.

Mr. WILLIAMS. I guess I am a little confused by some of the comments, so I want to step back just a little bit and basically point out that not all forests have this opportunity for developed recreation that might result in however many billions of dollars have been mentioned. I am speaking kind of specifically about the Colville Forest. My understanding is that the recreation in that area is defined as something like dispersed or semiprimitive. We would never have the opportunity, probably because there are no really fancy things for folks to come and look at, to have a destination resort, probably. Depending on what the feature is that folks are coming to visit, maybe there should or maybe there should not be a fee. I am kind of ambivalent on that.

However, I do want to point out that on the Colville Forest in particular and I think most national forests, some 90 percent of the recreational activities originate from a road. Those roads largely were built through the timber sale program. Now, during timber sales there is Knutson-Vandenberg money set aside to do certain things as mitigators for the project. What I am suggesting to you is a large part of what we have already got in place was funded either directly or indirectly by the timber sale program. Why just throw that out the window, No. 1. No. 2, with regard to the comments that have been made stating that we should not have a timber sale program, the option other than trying to actively manage to vegetative manipulation may include something like prescribed burning, which is a cost item, there is no income there, or you let it go and take your chances. Then you are going to end up probably with large suppression expenses like we had in the Wenatchee area.

I would also like to point out that natural is not necessarily where we are—it will not supply some of the conditions that are being implemented, or standards that are being asked for under laws such as the Clean Water Act, and a quick illustration with regard to that would be—and this is not totally set, the scientists are still debating it—but in the interior forests we have some 4 to 10 times as many trees per acre, as much vegetation as we had prior to European settlements. One of the critical impactors on bull trout is the temperature of streams. Temperature rises when the flows of streams during summer months decreases. There is a debate whether this additional vegetation through evapo-transpiration is lowering the summer low flows and hence causing bull trout to have a tougher time regenerating. We are going to have to manipulate our vegetation. Let us try to do so with less expense and let us not throw out what has subsidized pretty near every other activity, recreation, research and otherwise, on the national forests, which is timber sales.

Thank you.

Mr. HORN. Mr. Gladies.

Mr. GLADIES. Mr. Chairman, a couple of things. Some of the data that Mr. Mitchell talked about is based on willingness to pay. You

hear him talk about how much money recreation produces into this economy, and that is fine, I do not dispute those. But when you ask the question well are you willing to pay for recreation on a national forest, no, I do not want to pay anything, no demonstration projects. Well, there is something counter intuitive there. If we are going to use this land, we all have to figure out how to finance it in the least costly way that we can.

The other thing I would suggest is do not just focus on the cost, look at the revenues that can be produced. If you look on page 11, my graph 7, and look at the timber sale records, as recently as 1989, the agency produced $1.5 billion worth of timber revenues with about just under $800 million of costs. Well, since 1989, we have gone from about a 12 billion board foot program down to a 4 billion board foot program, but the cost of producing that lesser volume has stayed the same. The revenues have come down. There is a balance.

If we are going to have a $3.3 billion agency that is going to produce what it has got to produce in the budgetary situation that we have, everyone is going to have to pay. If the American public does not want timber to help fund that and does not want to sell that resource, well, then they are going to have to accept some user fees, would be my suggestion. I think the problem we have is we have one accounting system for timber, TSPIRS, and we do not account any of the other programs within the agency in a similar way. We do not even look to see how much money recreation may spend or may produce. We do not look at what is the cost of a resource and a research program within the Forest Service, and what does it really produce.

Congress asked the Forest Service for an all resource accounting system 5 years ago. The agency has not done that. Until you do that, you really do not know what is happening and you cannot assess what programs are the ones that you want to highlight and push.

Last point I would make is we add 16 billion board feet of timber to our national forest system a year in new growth. We are adding about 4 billion board feet of dead timber above and beyond what is being salvaged. That is 4 billion board feet of fuels that we are adding. Twice in the last decade, we spent a billion dollars fighting fire. That is the single most below-cost program in the Federal Government. We have lightning strikes and we have wild fire and we spend a billion dollars fighting it and what we have at the end to show is we have employed a lot of Forest Service employees and contractors to go chase these fires around the mountains. If we had invested that billion dollars trying to do fuels treatment or timber harvesting to reduce fuels treatment, we might not have had as many wild fires as we did or we may have been able to stop them much more quickly.

Congress has got to look at all those things in balance rather than just pay for wild fire after it occurs.

Mr. HORN. Let me ask you there——

Mr. GLADIES. The agency is in Florida now fighting State fires in Florida.

Mr. HORN. Give me a definition of what you mean by fields treatment.

Mr. GLADIES. Fuels treatment is——

Mr. HORN. Oh, you said fuels? It sounded to me like fields and that was what was throwing me.

Mr. GLADIES. Fuels.

Mr. HORN. Fuels treatment.

Mr. GLADIES. Fuels.

Mr. HORN. But give me a few examples of that.

Mr. GLADIES. Well, you have a stand of trees that has many more trees in it than nature probably would have had if you allowed fire to go through those stands on a periodic basis. Right now, you cannot run a fire through that stand without endangering the live trees there because it is too volatile. If you went in and removed some of that material and then did those burns, you could do them much more cheaply and safely. But every time the Forest Service tries to do that, folks in the environmental community say no, that is a timber sale, we do not like timber sales. Well, a timber sale may be the least costly method of getting that job done.

The Chief of the Forest Service said we have 40 million acres in the interior west that are high risk of catastrophic fire and that 90 percent of those need material removed before you can safely do prescribed fire in them. We put a ton of money, about 20 percent of the Forest Service budget is now in prescribed burning. Where are they burning? They are burning sagebrush and juniper and high elevation stuff where it is safest to burn, and they are not treating as many of the forested stands that are overstocked as they should.

If timber can do that more safely and return some money—maybe not a profit—the managers should be doing that. But within the political construct of today, with the preservationists who say no harvesting in the national forests, the agency spends years doing EA's and millions of dollars and then go to court and because they did not dot an I or cross a T, they cannot do the project. We are wasting millions of dollars planning to do projects that never come to fruition.

Mr. HORN. Thank you very much. Do you have any more questions?

Mr. HASTINGS. No.

Mr. HORN. There might be some sent you by staff on both sides of the aisle, and if you would not mind, just answering them.

Mr. GLADIES. Be happy to respond to any that come in.

Mr. HORN. We will put them in the record at the appropriate point.

Well, I thank you all for taking the time to come here and prepare very fine statements. They had a lot of logic and a lot of good organization to them, and I appreciate it.

We have two more panels that we are going to ask to come forward that we had put off since earlier this morning. We are talking about Ms. Linda Calbom, the Director of Civil Audits, General Accounting Office; Mr. Jim Meissner, Assistant Director of Resources, Community and Economic Development, U.S. General Accounting Office; Mr. Ronald Stewart, Deputy Chief for Programs and Legislation, U.S. Forest Service, and we have Mr. Sam Gehr, Forest Supervisor, Okanogan National Forest, U.S. Forest Service and Mr.

Sonny O'Neal, Forest Supervisor, Wenatchee National Forest, U.S. Forest Service.

OK, ladies and gentlemen, if you will raise your right hands.

[Witnesses sworn.]

Mr. HORN. The clerk will note all five witnesses affirmed the oath. Let us begin with Ms. Linda Calbom, the Director of Civil Audits, GAO.

STATEMENTS OF LINDA CALBOM, DIRECTOR, CIVIL AUDITS, GENERAL ACCOUNTING OFFICE; JIM MEISSNER, ASSISTANT DIRECTOR OF RESOURCES, COMMUNITY AND ECONOMIC DEVELOPMENT, U.S. GENERAL ACCOUNTING OFFICE; RONALD STEWART, DEPUTY CHIEF FOR PROGRAMS AND LEGISLATION, U.S. FOREST SERVICE; SAM GEHR, FOREST SUPERVISOR, OKANOGAN NATIONAL FOREST; AND SONNY O'NEAL FOREST SUPERVISOR, WENATCHEE NATIONAL FOREST, U.S. FOREST SERVICE

Ms. CALBOM. Thank you, Mr. Chairman. I am here today with Mr. Jim Meissner, who is the Regional Manager of our Seattle office and works in our Resources Community and Economic Development Division, which handles a lot of the programmatic work for the Forest Service, whereas I handle some of the financial management work.

I am pleased to be here to discuss our work on the Forest Service financial management issues. I am going to touch on some of the same things that the IG talked about earlier today. Let me just note that I echo his views and comments, but I thought I would give GAO's perspective on those as well.

As you know, the Forest Service has very deep-seated problems in its financial accounting reporting systems. And in July 1996, the IG issued what is called an adverse audit opinion, thereby concluding that the Forest Service's 1995 financial statements were, in essence, totally unreliable. And this represented a continuing pattern of unfavorable conclusions, as Mr. Viadero noted, which go back to 1991 when they began looking at Forest Service financial statements.

For 1996, Forest Service chose not to prepare financial statements, but chose instead to focus on trying to resolve some of the issues that were raised in the 1995 audit. The financial statements have been prepared for 1997, as Mr. Viadero mentioned, they are currently finalizing their report on those statements.

I am going to talk primarily about the 1995 audit findings today because that was the last opportunity GAO had to review the audit findings that the IG came out with. The 1995 results did disclose a number of very serious financial management weaknesses, most of which do continue to persist today. I am also going to touch just briefly on some of the actions Forest Service has taken to try to remedy the problems.

The 1995 audit weaknesses disclosed included significant reporting errors in the financial statements and the records that support those financial statements, a lack of adequate policies and procedures that safeguard assets against unauthorized acquisition, use, or disposition, and this is very key, this is where we are getting into the idea that you could have theft of assets and no controls

to make sure that does not occur and go undetected. Also, the third area was the inability to accurately track revenues and costs, which is something that factors into some of the discussions that we have had here today so far.

Just to give a few examples of the types of problems that were encountered, there was $45 million in accounts receivable due from other Federal agencies to Forest Service that was double counted. This of course, can cause your budgetary resources available to be over-stated. There were amounts due to others for contracted services that had to be estimated because Forest Service is not able to track the percentage of work completed or amount owed to contractors at any point in time. Again, Mr. Viadero was talking about that; all the problems in accounts payable. So you could have a situation where a vendor was paid twice and the Forest Service may not recognize that that had occurred. But for the end of fiscal 1995, a $38 million adjustment to the accounts payable accounts was necessary and this was based on this estimation process that Mr. Viadero was talking about.

Also, there was not a reliable system for tracking the cost of the reported 378,000 miles of roads that are owned by the Forest Service. I might note that this exceeds the mileage of our entire national highway system. There were inventory counts in one region alone when they did begin to start to track these roads, which resulted in $1.3 billion of roads that had not ever been previously recorded.

Finally, as I was mentioning, Forest Service did not have adequate systems to track its revenues and total program and operating costs agency-wide. For example, they were not able to come up with the cost of fighting a major fire.

These are just a few examples of what the IG found in their 1995 audit, and of course you heard earlier that there were other examples that came up in the 1997 audit. It is kind of a continuing pattern and most of these problems really have not been corrected. These types of problems can in fact and I think have in many cases led to mismanagement or misuse of assets, unnecessary budget requests, inaccurate performance measures, which of course is a focus of the Congress of late, and certainly they are indicative of a general lack of accountability for appropriated funds.

The Forest Service is working very diligently to correct these problems and has a goal to do so by the end of fiscal year 1999. However, because the problems are so deep-seated, progress has been very slow and it is not clear whether they will be able to meet their goal.

Again, as I was mentioning, the IG's audit that is about to be issued tells us that in essence, these same problems continue to plague the agency and that they are going to be very, very difficult to overcome.

Mr. Chairman, that concludes my statement and at the appropriate time I will be happy to answer questions.

Mr. HORN. That is very helpful, we appreciate it.

Mr. Meissner, would you like to add to that?

[The prepared statement of Ms. Calbom follows:]

Mr. Chairman and Members of the Subcommittee:

I am pleased to be here today to discuss the results of our work examining weaknesses in the Forest Service's financial accounting and reporting systems reported by the United States Department of Agriculture's (USDA) Office of Inspector General (IG). The Forest Service has been plagued by continuing financial management problems as evidenced by the IG's adverse opinion on the Forest Service's fiscal year 1995 financial statements. Due to the severity of these problems, the Forest Service did not prepare financial statements for fiscal year 1996, but chose instead to focus its efforts on problem resolution. Financial statements were prepared for fiscal year 1997, and the audit of those statements is near completion; as of July 1, 1998, the USDA IG was finalizing its report. Today, I will focus primarily on the fiscal year 1995 audit results which disclosed a number of serious weaknesses, most of which still exist today. I will also briefly discuss the Forest Service's plans to address these weaknesses. While some progress has been made, many hurdles still exist before the Forest Service will be able to achieve financial accountability.

HISTORY OF FINANCIAL SHORTCOMINGS

In July 1996, the USDA IG issued an adverse audit opinion, thereby concluding that the Forest Service's financial statements for fiscal year 1995 were unreliable overall. The IG's findings represented a continuing pattern of unfavorable conclusions about the Forest

Service's financial statements. For fiscal year 1992 the IG also issued an adverse opinion due to the overall unreliability of the statements. For fiscal years 1993 and 1994, the IG issued qualified audit opinions and reported that the Forest Service's financial statements were unreliable due to pervasive errors in the field level data supporting the land, buildings, equipment, accounts receivable, and accounts payable accounts. Thus, many of the shortcomings in the Forest Service's accounting and financial data and information systems that continue to plague the agency today are largely attributable to long-standing problems.

Among the more serious shortcomings cited by the IG in its report on the fiscal year 1995 financial statements were that the Forest Service

- had significant reporting errors in its financial statements and the records that support those statements;

- could not demonstrate that its policies and procedures adequately safeguarded assets against unauthorized acquisition, use, or disposition; and

- lacked financial systems that could accurately track revenues and costs.

These shortcomings are discussed in greater detail below.

Errors in Financial Statements

The IG's report on the fiscal year 1995 financial statements and the notes to the financial statements identified numerous financial reporting errors. For example:

- Estimated amounts of $45 million due to the Forest Service from other federal agencies (accounts receivable) for reimbursable services provided were double counted on the Forest Service's financial records. This type of error called into question the validity of receivables and reimbursement activity reported by the Forest Service and potentially impaired meaningful analysis of such activity. Additionally, since these data were drawn from the same database used to produce budgetary information, misstatement of reimbursable services could have resulted in misstatement of budgetary resources available to carry out program activities.

- The Forest Service did not have a system that allowed it to accurately track amounts it owed to others (accounts payable) for contracted services. While the system could determine the amount the Forest Service obligated, it could not readily determine the percentage of work completed or the amount owed to the contractor. As a result, Forest Service managers had to resort to estimation of these amounts based on statistical sampling and testing of year-end obligations incurred. Based on this testing, the Forest Service concluded that accounts payable were understated by approximately $38 million, and it adjusted its records

accordingly. While the Forest Service's weaknesses in accounting for payables were not indicative of whether or not the Forest Service overobligated funds, they precluded the Forest Service from readily knowing costs it had incurred and amounts it owed on projects at any given point.

These errors in basic financial records demonstrated that the Forest Service was not always able to determine the amount of funds spent, reimbursements it should have received, or the validity of recorded assets and liabilities. Certain of these financial reporting errors also indicated potential errors in budgetary data, particularly with regard to improperly reported reimbursements, which directly impact the amount of budgetary resources available. These errors also hampered Forest Service managers' ability to accurately report program performance measures as well as monitor income and spending levels for various programs and activities.

Lack of Policies and Procedures to Safeguard Assets

The IG report disclosed that the $7.8 billion in property, plant, and equipment reported by the Forest Service was erroneous because records for these assets were not consistently prepared, regularly updated, or supported by adequate documentation. Therefore, the correct quantities and costs of these assets were not determinable. Without systems in place to accurately track these assets, the Congress had no assurance that Forest Service

requests for additional funds to construct new roads and buildings and acquire new equipment were warranted.

For example, the Forest Service lacked a reliable system for tracking its reported 378,000 miles of roads,[1] which we determined exceeds the mileage of the national highway system. The Forest Service started performing inventory counts in fiscal year 1995 in an effort to capture the amount invested in roads it owns. These initial counts identified $1.3 billion of roads in one region alone that had not been previously recorded. At that time, Forest Service officials estimated that this process would take several years to complete nationwide.

The IG also reported inadequate safeguarding policies and procedures for equipment. Equipment is susceptible to theft or misplacement because generally it can readily be moved from one location to another. The lack of adequate procedures to account for equipment substantially increased the risk that items could be stolen without detection or be misplaced and consequently not available when needed. Also, the Forest Service's inability to identify certain equipment it owned and its location could have hampered activities of the Forest Service that utilized that equipment. This situation could also have resulted in the Forest Service requesting additional appropriations to replace stolen or misplaced equipment.

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[1]The miles of roads are reported in the Forest Service's 1995 Report of the Forest Service.

Lack of Systems to Track Revenues and Costs

The IG also concluded that the Forest Service did not have adequate systems to track revenues and total program and operating costs agencywide. For example, the IG reported that the Forest Service could not calculate the costs of large fires without manually adjusting the accounting systems. Additionally, our prior work disclosed the Forest Service's inability to capture the revenues and related costs of various programs and activities.[2] This capability is especially important because the Forest Service should have accurate historical revenue and cost data that can be used as the basis for determining the amount of money to request from the Congress to fund future projects and operations. The ability to track costs and revenue is also important for the Forest Service given its (1) relatively unique role in collecting revenues from timber sales and fees from activities, such as grazing and national forest use, and (2) authority and flexibility in using a portion of those revenues to carry out certain missions.

CORRECTIVE ACTIONS

Forest Service officials determined that planned corrective actions could not be completed in time to improve the Forest Service's fiscal year 1996 financial data. As a result, the agency did not prepare financial statements for fiscal year 1996. Instead, the

[2]Letter dated June 19, 1996, from GAO to the Chairmen of the House Committee on the Budget and the House Committee on Resources.

Forest Service, USDA's Office of the Chief Financial Officer (OCFO), and the IG agreed to work together to address the problems identified in the fiscal year 1995 IG audit report.

The Forest Service's goal was to correct some of the deficiencies during fiscal year 1997 and to achieve financial accountability by the end of fiscal year 1999. In August 1997, we reported[3] that it was doubtful that the Forest Service could achieve financial accountability by the end of fiscal year 1999 if management and staff commitment wavered, planned tasks were not accomplished, and sufficient resources were not provided. Our most recent report in February 1998[4] concluded that while corrective measures were under way, few of the problems reported by the IG in the fiscal year 1995 audit report had been fully resolved. Thus, we reported, it was not yet clear whether the Forest Service would be successful in its efforts to resolve these problems by the end of fiscal year 1999.

The IG recently concluded its audit of the Forest Service's fiscal year 1997 financial statements and was preparing its report as of July 1, 1998. However, we understand that because of the continuing financial accounting and reporting shortcomings, the IG will issue an unfavorable report on the fiscal year 1997 statements.

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[3]Financial Management: Forest Service's Progress Toward Financial Accountability (GAO/AIMD-97-151R, August 29, 1997).

[4]Forest Service: Status of Progress Toward Financial Accountability (GAO/AIMD-98-84, February 27, 1998).

Mr. Chairman, this concludes my statement. I would be glad to answer any questions that you or the Members of the Subcommittee may have.

Mr. MEISSNER. Yes, Mr. Chairman and Mr. Hastings, we too are glad to be here as representatives of GAO. You are now in my region, so this is a little bit different than being in southern California, this is a part of my region which is the Pacific Northwest.

Mr. HORN. We should not pay you all we do since you have this beautiful surroundings.

Mr. MEISSNER. Absolutely. I cannot disagree with that.

Mr. HORN. You deserve hazard pay when you cross the Tehachapis.

Mr. MEISSNER. It is a wonderful place and I am happy to be here. Even though I spend a lot of time in Washington, DC, I am glad when I get to return home and be here.

We did not prepare a formal statement because we have a fee demonstration audit that is currently ongoing that is due out this fall, and we do not like to divulge information on ongoing work until the job is completed. Second, the other subject matter discussed here, below-cost timber sales, the information that we have on that is old and dated and I do not think it would contribute to this discussion.

Mr. HORN. How old, when was the last report of GAO?

Mr. MEISSNER. Early 1990's.

Mr. HORN. Early 1990's.

Mr. MEISSNER. The world has changed since then. And with the two reports I do want to put into the record, you will see that the world has changed in a few ways.

One of the reports, which is on the unauthorized use of the National Forest Fund, I want to present for the record because it demonstrates what can happen when accounting principles are not exercised. It kind of demonstrates what the IG and Linda said, but in a programmatic sense. And I want to present this report because it is really current, it is not even a year old. And to tell you a little bit about what the National Forest Fund is. The National Forest Fund is kind of a holding account for Forest Service receipts, and timber receipts go into that National Forest Fund.

What you have been told earlier today is that timber sales went way down, and timber receipts went way down also, but the piece that is kind of missing is that in addition to that, receipts to the U.S. Treasury as a result, coming out of the NFF, National Forest Fund, also went way down. In 1990, there was about $400 million at the end of the year that went back into the U.S. Treasury. That amount fell precipitously until 1995, until only $1½ million was returned at the end of the year. Now in a very short period of time, we went from $400 million to $1½ million, and it went down every single year in between. That is—in any business sense, you would say wow, we have got a problem.

In the case of the Forest Service, the problem was not recognized and they went into the year knowing full well that the last year they only had a surplus of a million and a half. The line was going down significantly. Yet, they did not do anything to react to that situation during the year. Later in the year, in April, May, and June, people in the field organizations within the Forest Service were saying "hey we have got a problem. Things do not look good, we have got a problem." Still no action was taken until, if I remember the date correctly, August 27, which as you know is getting

close to the end of the fiscal year. The decision of the Forest Service on to solve their money problems in NFF—and the reason you have got to solve the problem is that is where the payments to States come out of, so if you do not have enough money in there, you do not have enough money to pay the States their rightful 25-percent share.

On that date, they began diverting all of the money out of the salvage sale receipts and all the money out of the K–V receipts, directly into NFF so they would have enough money for the 25 percent payment. Still, at the end of the fiscal year, at the end of September, they were still $17.8 million short on having enough money to fulfill those needs.

Now what is interesting about what happened then is that thanks to the U.S. Congress, they had been bailed out, but apparently did not know it up until the end of the year. The Congress had passed legislation a couple of years earlier that said a part of these expenditures were going back to the States as the spotted owl offset and were not supposed to come out of this fund, they were required to come out of miscellaneous Federal receipts, so you have an alternative to NFF that the Forest Service should have evoked. However, it was just allowed by the Congress, but was required by the U.S. Congress.

As it turns out, thanks to the U.S. Congress, that part of the money was then reimbursed to the fund and that then became the source to reimburse the salvage sale fund, to reimburse the K–V Fund for money that had been extracted at the end of the year.

My point with regard to that, and I will quit there because it is all laid out in this particular report, is that the problem, the financial problem, the financial catastrophic problem, that was about to happen was obvious. It was not a matter that it just hit them in the face at the last minute, it was going to happen. Second, they did not react soon enough to this financial problem during the year. When they did react, they reacted in a crisis situation by diverting—and I am choosing my words carefully here, diverted being a less obtrusive word than some other words that I might be able to use here in this case.

Mr. HORN. With malice aforethought.

Mr. MEISSNER. By putting all the money over there, when it turned out in the end they did not need to do any of that stuff because Congress had given them an alternative that had they exercised it that year and as it turns out the year before—we have had to make them go back and adjust all of their accounts from the year before too.

Mr. HORN. Was it the Appropriations Subcommittee that gave them that or the authorization committee that gave them flexibility?

Mr. MEISSNER. It was the Appropriations Committee that over a series of years had given them an option, it became finalized in 1994. However, we are talking about 1996 when the crisis occurred.

The second one that I would like to enter for the record is called——

Mr. HORN. Without objection, both will be entered in the record at the appropriate point of your commentary.

[NOTE.—The information referred to may be found in subcommittee files.]

Mr. MEISSNER. This is innocuously titled, "Distribution of Timber Sales Receipts, Fiscal Years 1992 to 1994." And the reason that I put this one into the record is that it does answer some of the questions that were raised earlier with regard to what happens to all the timber sales money.

What we tried to do in 1995 was to take 3 years of timber receipts from the Forest Service, all of them, and it turns out to be $3 billion, and demonstrate where that money went. It was the first time that we had done that particular job, to try and determine where all of the money went. This particular report has been reissued four times in our office because it has been used or misused by a lot of people to demonstrate that the Forest Service loses a lot of money on its timber program. So we have seen periodically a lot of newspaper articles. But I can guarantee you, Mr. Chairman, that you will not find profit or loss anywhere in this report, those words do not exist, because what we were trying to point out was Congress, over a period of time, has made a large number of decisions to allocate timber receipts. The payment to the State is one you have been told about earlier today.

In addition, the K–V Fund, which, Mr. Chairman, you are well acquainted with, takes 25 percent of all the money. So during this time period we are talking about well over $700 million that went back into the K–V Fund. As you also know, some of that money is for wildlife habitat, it also can be used for recreational facilities in the area of timber sales, not exactly what you would normally associate with a cost of doing business for a timber company. In addition, there is a piece of that money that is not a cost at all, it goes back into a pool of money called the salvage sale fund and that money sits there, not expended, for future use of additional salvage sales.

In addition, there is a roads and trails piece of this that is taken off for future roads and trails, and it amounted to, if I remember the numbers correctly, $134 million. Not a minor sum of money that has been put over here on the side, that came out of the timber program.

My only point with all of this——

Mr. HORN. Out of the timber program?

Mr. MEISSNER. Out of the timber receipts.

These various things that have come out of the timber receipts, normally a private business nor a government entity like the State of Washington who sells a lot of trees, would have to incur those same kinds of costs. So it is kind of unfair to the timber program to say all of these are costs of doing business, because a private sector firm or another government unit would not have to incur those same kinds of costs.

So my only point for doing that is to put it in the record because that report has been used to demonstrate huge losses to the Forest Service. To be blunt, that is not a statement of what it says, but it does show what happens to all the money.

Mr. HORN. And unfortunately their financial accounting system does not help us in any direction until they get order out of chaos.

Now as I understand it, what you said, which is very significant and the most startling thing today in this hearing, as far as I am concerned, because I have had hundreds of people tell me, just as you have, both sides of it—that it is a profit, it is a loss. And it seems to me—I would like it succinctly said at this point in the record by you as to the degree to which the timber sales program does make a profit or does make a loss, if you exclusively deal with the timber sale itself and all of the things that go to preparation for a timber sale. When you talk in those terms, you are saying there is a profit there.

Mr. MEISSNER. Linda and I will join together in answering this question. I happen to have the mic, so I am going to answer that question.

Mr. HORN. But the reason the loss comes up is money from the timber sales is diverted to all these other accounts.

Mr. MEISSNER. Money through congressional direction goes to large numbers of accounts. I cannot say we can join together to say whether it makes money or loses money because that requires a lot of definitional agreement and a lot of faith in a system that you were told earlier today somebody who has seen that system has absolutely no faith in it. So I wish I could answer that question. I wish we could answer that question, but we cannot because the system itself is exceptionally weak and there are a lot of definitional changes with regard to the distribution of this money, which has been callously used or misused over a period of time, which probably ought to be corrected.

If Linda has anything——

Ms. CALBOM. Yes, let me just comment a little bit. We have not looked at the TSPIRS system as far as whether the information that is being fed in there is being properly allocated and whether even the right information is being fed into there. But I guess the bottom line is when you look at the problems in the financial reporting that I have mentioned and the IG talked about today, it calls into question whether or not the information that is going into the TSPIRS report is good information. So I think our bottom line answer is we just do not know.

Mr. HORN. Well, now we wonder if they will ever have an interest in getting a sound financial system, since maybe confusion is what is wanted here. But then strange things happen in this world. But it seems to me if it is, you have got a subcommittee or so of Congress that is in collusion on not straightening out how they can figure what goes where, when, and how. So thank you for that insight, I must say I learned something.

Mr. Stewart, welcome.

[The prepared statement of Mr. Meissner follows:]

Mr. Chairman and Members of the Subcommittee:

We appreciate the opportunity to be here today to provide information on some of our work on the Forest Service's Knutson-Vandenberg Trust Fund, commonly referred to as the K-V Fund. Essentially, this fund is the primary source of Forest Service moneys used for the reforestation of timber harvest areas. The fund is also used to improve timber stands and other renewable resources within the harvested areas. Although the amount of expenditures from the K-V Fund may vary from year to year, expenditures for fiscal year 1997 were a little more than $166 million.

As requested, our statement today is drawn primarily from our June 1996 report[1] on shortcomings in the administration of the K-V Fund. The report addressed the following issues: (1) the transfers from the K-V Fund that have not been fully restored, (2) the effect of unrestored transfers on planned projects, (3) the lack of financial information to ensure compliance with the K-V Act requirements, and (4) the lack of a standardized methodology for calculating and limiting program support costs. We will also discuss the Department of Agriculture's subsequent actions on our recommendations to improve the management of the K-V program. In summary:

- Between 1990 and 1996, $645 million was transferred from the K-V Fund to support emergency firefighting activities that was not reimbursed. To assist the Congress in its consideration of any future requests for appropriations to restore previously transferred funds, we recommended that the Secretary of Agriculture report to the Congress on the financial status of the K-V Fund. The Department has begun providing the Congress with additional information on the financial status of the K-V Fund. In fiscal year 1997, the Congress acted upon that information by providing $202 million to partially repay moneys

[1]Forest Service's Reforestation Funding: Financial Sources, Uses, and Condition of the Knutson-Vandenberg Fund (GAO/RCED-96-15, June 21, 1996).

transferred from the K-V Fund. At the beginning of fiscal year 1998, the K-V Fund had an unrestored balance of about $493 million.

- The Secretary of Agriculture has not directed the Forest Service to revise the list of planned K-V projects to take into account the actual balance in the K-V Fund, as we recommended. The Department stated that it would not require such a list until it was certain that K-V funding for the year was inadequate.

- Although the K-V Act requires that K-V Fund expenditures in one sale area be limited to amounts collected in the same area, the Forest Service does not collect expenditure data on a sale-by-sale basis. We recommended that the Secretary of Agriculture direct the Forest Service to perform an analysis of alternatives (including the costs and benefits of each alternative) to obtain the financial data necessary to ensure that the K-V Fund's expenditures in one sale area are limited to the amounts collected from that area, as required by the K-V Act. The Department of Agriculture has not implemented our recommendation. The Secretary of Agriculture indicated that he did not believe such an analysis was necessary and that the current Forest Service methods fulfilled the requirements of the K-V Act.

- At the time of our 1996 report, the Forest Service did not have a system in place to ensure the consistent handling of program support charges for the K-V program agencywide. We recommended that the Secretary of Agriculture require all organizational levels to use a standardized methodology for assessing and withholding the support costs for the K-V program that would limit expenditures for program support to the amounts collected for such purposes. Since that time, the Forest Service has completed an analysis of the methodological changes that are needed to standardize the Forest Service's practices for assessing and withholding program support costs for the K-V program and the results of the agency's work should be implemented when the

practices become part of the Forest Service's directives in September 1998.

BACKGROUND

The Knutson-Vandenberg Trust Fund, as authorized by the Act of June 9, 1930, as amended (16 U.S.C. 576-576b), allows portions of the receipts from timber sales to be deposited into the K-V Fund to be used to reforest timber sale areas. In addition to being used for planting trees, these deposits may also be used for eliminating unwanted vegetation and for protecting and improving the future productivity of the renewable resources on forest land in sale areas, including sale area improvement operations, maintenance, construction, and wildlife habitat management.

Reforestation is needed where timber harvests or natural disasters have depleted the existing timber stands. In fiscal year 1997, about $166 million was expended from the K-V Fund for reforestation and related projects. The majority of the K-V moneys--about $115 million in fiscal year 1997--was used to fund direct reforestation activities. In addition to the direct reforestation expenditures, about $51 million was used for costs incurred to support and manage the reforestation program, such as rents, utilities, computer equipment, or the salaries of program support staff.

Federal law permits the Forest Service to transfer amounts from the K-V Fund, as well as other Forest Service appropriations, to supplement the Forest Service's firefighting funds when emergencies arise. The Forest Service is authorized to advance money from any of its appropriations and trust funds to pay for fighting forest fires. The Forest Service is not authorized to restore amounts so transferred. Congressional action is required to restore such funds.

The Forest Service's oversight and management of the K-V Fund and the reforestation program are decentralized. Forest Service headquarters and the nine regional offices establish policy and provide technical direction to forest offices. The

forest offices, in turn, provide general oversight to district offices and help the districts plan K-V projects. The district ranger is responsible for overseeing the planning and implementation of K-V projects.

K-V FUND HAS NOT BEEN FULLY REIMBURSED

Between 1990 and 1996, the Forest Service transferred about $645 million from the K-V Fund for emergency firefighting activities that had not been fully reimbursed. Since these transfers had not been reimbursed, these funds were unavailable for K-V projects. In the past, when such transfers were made, the Department of Agriculture requested and received supplemental appropriations to restore the transferred moneys, generally within 2 years of the original transfer. However, in more recent time, the Department of Agriculture had not submitted a request for a supplemental appropriation to the Congress. It was not until March 15, 1996, that the Department of Agriculture submitted a request for supplemental appropriations to the Office of Management and Budget for the $420 million transferred during fiscal years 1990, 1992, and 1995. After an additional $225 million was transferred from the K-V Fund in 1996, the Congress, in 1997, provided $202 million from the emergency firefighting appropriation as a partial reimbursement of the K-V Fund. At the beginning of fiscal year 1998, the K-V Fund had an unrestored balance of about $493 million.

To provide the Congress with the information it needs to consider any future requests for appropriations to restore previously transferred funds, we recommended that the Secretary of Agriculture report to the Congress on the financial status of the K-V Fund. The Department of Agriculture has informed the Congress about the general dimensions of the K-V funding issue on several occasions, and that information has resulted in some replenishment of the K-V fund. For example, the Fiscal Year 1997 Omnibus Appropriation Bill provided additional appropriations for emergency firefighting, and $202 million was apportioned to the K-V Fund in January 1997. In addition, the Department has begun providing the Congress with information on the K-

V Fund balance at the beginning of each fiscal year, expected K-V collections during the year, and expected K-V expenditures so that the impact of future firefighting transfers can be assessed.

UNRESTORED FIREFIGHTING TRANSFERS
JEOPARDIZE SOME PLANNED PROJECTS

Although the Forest Service acknowledged that failure to restore the amounts transferred from the K-V Fund would potentially disrupt the K-V program, forest and district offices continued to operate and plan for future reforestation projects as if the transfers had not occurred. Furthermore, the Forest Service had not informed the Congress of the impact that the funding shortfall would have on the agency's reforestation activities or developed a plan or strategy for reallocating the remaining funds to the highest-priority projects.

Although timber receipts of as much as $200 million had been added to the fund annually, the Forest Service will not be able to pay for all of its planned projects, estimated in fiscal year 1996 at about $942 million, unless the moneys transferred from the K-V Fund for firefighting purposes are restored.

We recommended that if the administration decides not to forward to the Congress the Department's request for restoration of the funds transferred for firefighting purposes, or the Congress decides not to restore these funds during the fiscal year 1997 budget considerations, the Secretary of Agriculture should direct the Chief of the Forest Service, by the end of fiscal year 1997, to revise the list of planned K-V projects to take into account the actual balance in the K-V Fund.

The Department has not implemented this recommendation and believes that the Forest Service had sufficient funding to meet all K-V requirements for 1998 and that revising the list of K-V projects downward to match the reduced K-V funding would be

both speculative and not creditable. The Department added that it would not require such a list until it was certain that K-V funding for the year was inadequate. In that event, it would provide the Congress with a generic description of the types of K-V activities that would be dropped.

FOREST SERVICE CANNOT ENSURE COMPLIANCE WITH THE K-V ACT'S REQUIREMENT

The K-V Act requires that the K-V Fund expenditures in any one sale area not exceed the amount collected in that sale area. To facilitate the management of K-V projects and the accounting for K-V funds, however, the Forest Service allows each forest to pool its K-V collections for each timber sale into a forest-level fund, commonly called a K-V pool. At the end of each fiscal year, each forest is required to create a balance sheet showing the cash available for its K-V projects, the projected collections from ongoing sales, and the estimated costs for planned projects.

The Forest Service does not have the financial management information and controls needed to ensure compliance with the K-V Act prohibition limiting K-V Fund expenditures on individual sale areas to the collections from those same sale areas. Collections are recorded for individual sales, whereas expenditures are managed and recorded in total at the district level rather than by individual sales. By allowing each forest to pool K-V collections without adequate financial controls and information, the Forest Service cannot ensure that trust fund expenditures do not exceed collections for a given sale area.

We recommended that the Secretary of Agriculture direct the Chief of the Forest Service to perform, in consultation with the Chief Financial Officer, an analysis of alternatives (including the costs and benefits of each alternative) to obtain the financial data necessary to ensure that the K-V Fund's expenditures in one sale area are limited to the amounts collected from that area, as required by the K-V Act.

The Secretary of Agriculture did not request that the Forest Service analyze alternatives to the sale-by-sale accounting system that would ensure compliance with the K-V Act. The Secretary indicated that he did not believe such an analysis was necessary and that the current Forest Service methods fulfilled requirements of the K-V Act. We continue to believe that the Forest Service's current information systems and controls do not provide assurance that the expenditures in one sale area do not exceed the collections from that sale area as required by law.

FOREST SERVICE LACKS AN EFFECTIVE METHOD FOR CALCULATING AND LIMITING PROGRAM SUPPORT COSTS

The Forest Service collects a certain amount of K-V funds on each timber sale to pay for the costs of supporting the program at all organizational levels. The regions and forests issue guidance that specifies the percentage of K-V funds that should be collected from individual sale areas to support the program at the forest, regional, and Washington offices. The agency's overall guidance, however, does not explain how individual regions or forests should calculate and limit amounts for program support. If the allocations for support costs are not limited to the amount collected, however, funds available for project expenditures in sales areas could be insufficient.

Only one forest we visited during our 1996 review limited its use of K-V funds for program support to the amounts collected for that purpose. For three of the forests, the regions did not restrict their expenditures for program support to the amounts that had been collected, nor did the forests limit the amount spent for program support at the forest level. For example, if a project costs $100, the forest might instruct the district to collect an additional 20 percent of the project's cost, or $20, to cover the cost of supporting the program. When the forest allocated funds for a project to the district, it withheld funds to cover the forest's support costs. However, rather than limiting these withholdings–to continue our example–to 20 percent of the project's cost, or $20, the forest would withhold 20 percent of the total cost ($120) or $24. This

method of determining support costs would reduce the amount available for project work to $96, $4 less than the projected need.

We recommended that the Secretary of Agriculture direct the Chief of the Forest Service to require all organizational levels to use a standardized methodology for assessing and withholding the support costs for the K-V program that would limit expenditures for program support to the amounts collected for such purposes.

The Secretary of Agriculture directed the Chief of the Forest Service to establish a standardized methodology for assessing and withholding program support costs for the K-V program, and the Forest Service formed a task force to recommend what that standardized methodology would be. The task force completed its work in November 1997, and the Forest Service estimates that the corrective action will be fully implemented when the recommended changes become part of the agency's directives in September 1998.

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Mr. Chairman, on the basis of the Department of Agriculture's response to our recommendations, it appears that it has taken positive actions on our recommendations to better inform the Congress about the magnitude of transfers from the K-V Fund for firefighting purposes and the need to establish a standardized methodology for assessing and withholding program support costs for the K-V program. The Department of Agriculture has not implemented our recommendations concerning revising the list of K-V projects downward because of inadequate funding or performing an analysis of alternatives to a sale-by-sale accounting of K-V Fund expenditures. We continue to believe that action is needed in these areas. We will be pleased to respond to any questions that you or the Members of the Subcommittee may have.

(141233)

Mr. STEWART. Good afternoon, Mr. Chairman.

Mr. HORN. It is good to see you again.

Mr. STEWART. Good to see you again also. Mr. Hastings, I am pleased to be here. I am especially pleased that you are holding the hearing in Wenatchee. As someone who started a career as a professional forester with the State of Washington Department of Natural Resources 34 years ago and somewhat familiar with this area, it is good to be here and much better to be here holding hearings than inside the beltway, I assure you. I suppose you are going to expect me to answer all of those questions, and I wish I could.

I was going to make a few comments from a national perspective about the Forest Service in general, but I think you both are very well aware of some of the complexities, the many laws that govern our activities. You certainly heard some of the best and some of the worst in some of the testimony from others this morning. So I will not bore you by going through that. However, I would hope that when Mr. Gehr and Mr. O'Neal testify on local situations, that they would provide, for your benefit, Mr. Chairman, some of the background on their own forests. I think you would find that useful.

Mr. HORN. Yes.

Mr. STEWART. I would like to spend a few minutes summarizing some general comments again from a national perspective on the Recreation Fee Demonstration Program, on our financial management situation from my viewpoint and the viewpoint of the agency, and on the K–V Fund, the trust fund issue and overhead that has been a matter of discussion, and finally on the below-cost timber sales issue.

On the Recreation Fee Demonstration Program, just as a way of putting it in perspective, almost 95 percent of all Americans engage in some sort of outdoor recreation every year. The national forests are the single largest supplier of public outdoor recreation, hosting 850 million visits in 1997 and that number continues to grow. It is expected to be close to a billion by the year 2000.

Congress authorized the Recreation Fee Demonstration Program in fiscal year 1996 and it has annually undergone some changes that were designed to broaden it and to improve it, based on initial results. The current version of it authorizes the Forest Service and the land management agencies of the Department of Interior, to test the collection, retention, and reinvestment of new recreation admission and user fees on up to 100 projects within each agency.

The Forest Service aggressively began implementing the program in June 1996 and at the end of fiscal year 1997 receipts grossed over $8 million from the 40 projects that had been implemented during the initial stages. We expect an additional 52 projects will begin collections in fiscal year 1998 and in 1999 in 28 States and in all of the Forest Service regions, representing a very broad-based test.

The Forest Service in general strongly supports the Recreation Fee Demonstration Program as an essential part of meeting the increased demand for quality recreational facilities and services to the public. Some discussion went on earlier about the changing nature of our timber program. I would suggest to you that that recreation program has undergone as much or maybe even more change over the last decade or so. The numbers of people are increasing

but the diversity of use, uses that we never would have heard of, anything from mountain bikes and hang gliders to rock climbing that were not very common a number of years ago seem to be much more common now. The needs of an expanding and diverse population—new cultures are now using the forests for very different things. If you look at our facilities, they were largely designed by the CCC's in the 1930's for the population at that time and the needs of the population at that time. Those needs have changed dramatically.

Based on survey results, the public generally accepts the fees as long as most of the money goes back to improve the area that they are paying for, they want to see results on the ground. However, some very much dislike paying fees, especially since historically they have enjoyed many of these things for free. It is true that acceptance has increased for many people as they become aware of the program and what its purpose is and when they see positive results from the investments.

The other thing that the public tells us is that they do not want to see increases in fees offset reductions in appropriations for those same programs. They expect to see this as a value added, if you will, and not as a take away.

I strongly believe that long-term implementation of the Recreation Fee Demonstration Program is necessary to keep up with the rapidly increasing demands placed on Federal recreational facilities. We are going to continue to evaluate the program through this testing period and share with you and the American public what we have learned.

From financial management, I do not think I need to say much more about the nature of the problem. I think that both the inspector general and GAO have adequately summarized the nature of the problems. As a long-term Forest Service employee, I share in responsibility for having gotten us there. As a forester, I believe the statement made by the inspector general that we focused on natural resource management and less on financial management is probably a true one. I would say that is not true today of the agency, and I do believe that both GAO and IG have said there have been some significant changes over the last year and a half. We are serious. We recognize the problem, we are understanding how deeply set it is, it goes in some cases back into the culture of the organization, and we are bringing back very significant and fairly rapid, for a Government agency, change in the culture and in the way we do business.

We have taken a number of significant steps that ultimately will lead to us being financially accountable to you and to the American public. They include a major restructuring of the entire business operations of the Forest Service, including bringing in a chief operating officer, a man who has experience as the CEO of two major corporations, and brings a business knowledge that we have never had. He is bringing in with him people with business backgrounds and they are helping us design and implement our business processes.

We are giving equal weight to the business side and the natural resource side, even to the point of structuring our national organization that way. There will be an associate chief for natural re-

sources and an associate chief or chief operating officer for the business side of things.

We have reduced our work force by 15 percent, almost 30 percent in the National headquarters. We have consolidated administrative and business offices, we have developed public and private partnerships to deliver our services for less money, and we have established customer service standards as a way to try to improve our delivery of services at lower costs.

Mr. HORN. Excuse me, just while it comes to me, the 30 percent that you got rid of at the National headquarters, did that simply mean that they were reassigned to the field?

Mr. STEWART. No, most of them were—some were, some were reassigned to vacancies in the field, others we used the buy out and attrition to replace. We went from 1,000 down to about 700 in a fairly short period of time, again by using buyouts and by some outplacements and then when people retired, just not replacing the positions.

Mr. HORN. Are there any plans for further decentralization or elimination of positions at headquarters?

Mr. STEWART. That is an ongoing debate, about how much—I mentioned to you in an earlier hearing that the philosophy of the agency at this point is decentralized natural resource decision-making and centralized business operations and corporate information. We have basically developed individual databases on every unit and we are not going to do that any more, we are not going to allow people to spend money to do that. So I suspect you are going to see more, at least on the business side of things, centralizing the processes and centralizing the oversight, which could result in some increase in numbers of people associated with those, particularly as I mentioned in the financial and business arena.

We are working with Congress to implement the Government Performance and Results Act of 1993. The first year the entire Government ever submitted a strategic plan and annual performance plan to Congress was this past year. This was the first year where there has been full implementation of that act. We take the act very seriously, that is a very, very good management tool, very similar to what industry uses. It does have accountability teeth in it.

We worked very closely with GAO and with others in trying to develop that and in general, while the overall strategic plan has received sort of mediocre marks as most of them did from Congress through Government, in general, I think the GAO would give us reasonably good marks for the progress that we have made. The main thing about that is there was an issue raised earlier about accountability. The one thing that Government Performance and Results Act does is it builds in accountability.

We have taken the performance measures that are in our performance plan submitted to Congress, and allocated those out to the line officers in the field. So every line officer in the organization, down to the forest supervisor level and perhaps even down to the district ranger has in their performance, individual annual performance standards, some of the goals and objectives and performance measures that are in that national plan.

We are implementing an integrated accounting system, as was mentioned, the Foundation Financial Information System. You also heard there are significant problems that we have encountered in doing that. However, we have made some recent decisions which I think will increase the probability of success, including the so-called retroactive redistribution issue and these feeder systems, redesigning those to fit the needs of FFIS and not the other way around.

We have also issued the desk guide for financial management. I mentioned the fact that we were looking to bring in some highly qualified management personnel to complement our natural resource skills and we have also put together a business management team internally to review our budget and accounting activities and to try to simplify our structure. It might be interesting for you to know that one of the reasons we have so much difficulty tracking our information is we have never asked ourselves what is it that we needed in the way of information, and so any time anybody wanted to know something, we added it to the system.

Our current accounting system makes something like 75 million entries a month from 800 different entry points. We have something like 100,000 management codes, many of them containing as many as 99 lines of data. We have one of the most complex systems in Government. We have got to stop that, we have got to simplify it, we have got to get back to the basics and ask ourselves, and with your help, what information do we need to run an organization that essentially is the size of a Fortune 500 company.

We are making significant strides in cleaning up our data, including our asset data which was mentioned, our inventory of property and also putting the appropriate value on that property. So while we are not there yet and we have got a ways to go, we have made significant progress.

The K–V Fund, the K–V Fund was authorized by an act of Congress in June 1930. The act initially established a trust fund using deposits made by timber purchasers to reforest the sale areas, an honorable purpose. The authority was expanded over the years to include a whole host of items, many of which GAO just talked about, including road improvements, watershed improvements, and wildlife habitat improvements within the boundaries of the sale area. Those are all desirable things also.

In response to a 1996 General Accounting Office audit, the Forest Service assembled a task force to find better ways to limit K–V expenditures for indirect costs to the amounts collected for this purpose and to achieve better consistency and standardization of indirect costs. We are in the process now of implementing the findings of that task force, and they include institutionalizing national standard definitions for indirect costs, clarifying and standardizing procedures for the calculation of equitable indirect charges, strengthening the linkage between K–V work planning and budget planning, so that we have a better tie between the sale area improvement plan and the K–V program of work. Finally, we are improving, as many said, the need, and that is a better internal control system.

We have gotten away from inspections. In the Pinchot days and up until the 1950's, the Forest Service did inspections. We do not

do those any more. I think we are getting back to doing inspections.

Below-cost timber sales. National forest timber sales have always served a number of purposes, but today, I would say Americans place a higher priority on sustainability and environmental protection than they have in the past, and in response, the Forest Service is placing more emphasis on protection and restoration of health of the land.

Historically, much of the resource stewardship costs have been borne by the forest management program, and I think that is what the report that Jim was submitting for the record basically shows. So you cannot measure the value of a stewardship program strictly in dollars and cents. But as a result of concerns about the cost of the timber management program, Congress in 1985 directed the Forest Service to implement a new timber cost accounting system, and out of that came TSPIRS or the timber sale program information reporting system. That was reviewed by GAO in 1990 and they found that the system that Congress had asked for had been developed and was implemented, as Congress intended.

The most recent TSPIRS report which was just released a few weeks ago shows a loss of $88.6 million, compared to a loss of $14.7 million in fiscal year 1996.

Mr. HORN. Are you putting much credibility in those figures?

Mr. STEWART. I believe the statement was made by one of the members of the earlier panel that probably the TSPIRS data is more accurate than most of the financial data. It has been closely watched through the years, but it is subject to some of the same problems. I would like to submit for the record, if I might, a report that was prepared called Changing Economics of the National Forest Timber Sale Program, and basically what that shows is that whether the financial numbers are correct, certainly the kinds of activities and what has been going on in the timber program would suggest that the trend is in the right direction.

Mr. HORN. Who is the author of the report?

Mr. STEWART. It was done in the Washington office by the forest management staff with the help of people throughout the organization. It includes analysis of effects on the timber program profitability and so forth.

Mr. HORN. Without objection, it will be put in the record at this point.

Mr. STEWART. Thank you.

[The information referred to follows:]

Changing Economics of the National Forest Timber Sale Program

Today's national forest timber sales program differs dramatically from the program that existed only a decade ago, and these changes have had a profound effect on the program's economics. In this regard, the objectives of this paper are: (1) to briefly describe the major changes that have been occurring within the national forest timber sales program, and (2) to show how these changes have affected the program's profitability.

Description of Major Changes

The changes that have been occurring within the national forest timber sale program can be attributed to several factors including: evolving administrative and judicial interpretations of agency legal requirements, advances in our scientific understanding of how ecosystems work, and shifting public attitudes concerning the most appropriate management priorities for national forest lands. Four specific changes will be highlighted in this paper: the trend in program size, the trend in harvest objectives, the trend in harvest methods, and the trend in the types of products being removed.[1]

Trend in Program Size:

Whether measured in terms of volume offered, volume sold, or volume harvested, the size of the national forest timber sales program has fallen markedly in recent years. Specifically, between FY 1989 and FY 1997:

- the volume of timber being offered dropped from 11.1 to 4.0 billion board feet (BBF) -- a decline of 64 percent;
- the volume of timber being sold dropped from 8.5 to 3.7 BBF -- a decline of 56 percent; and
- the volume of timber being harvested dropped from 12.0 to 3.3 BBF -- a decline of 72 percent. (See figure 1)

[1] These changes are not the only factors to affect the economics of the national forest timber sale program. For a more complete treatment of this subject, the reader is referred to either of the following reports: 1) USDA Forest Service, 1993, *Timber Cost Efficiency Study-Final Report*, Washington, DC, 140p.; or 2) Liggett, C. et. Al., 1995, *Timber Program Issues: A Technical Examination of Policy Options*, USDA Forest Service, Washington, DC, 301p.

The amount of national forest timber being offered has been relatively constant over the last 3 years – suggesting that the size of the program is stabilizing at a new output level of around 4.0 BBF annually. (See figure 1) If this indeed occurs, the program's new output level will approximate that characteristic of the early 1950's.

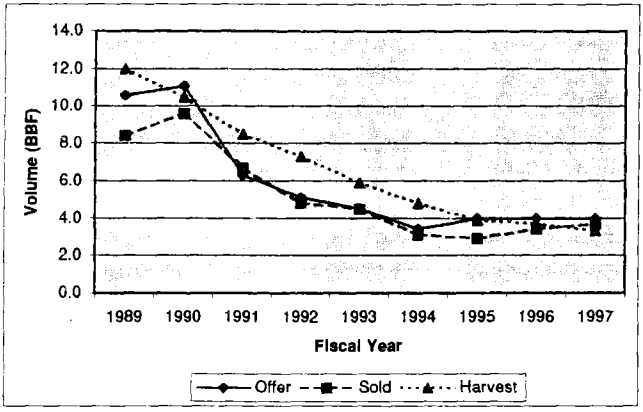

Figure (1) -- Trend in Size of the National Forest Timber Sales Program.

Trend in Harvest Objectives:

National forest timber is sold and harvested for essentially three reasons:

- To provide timber in response to the Nation's demand for wood -- called "**timber commodity**" purpose sales.
- To help achieve various land management objectives that require managing the existing vegetation (e.g., improving forest health, reducing the risk of catastrophic fire, and creating desired wildlife habitat) -- called "**forest stewardship**" purpose sales.
- To provide firewood, posts, Christmas trees, and other miscellaneous forest products to individuals for their own consumption -- called "**personal use**" purpose sales.

In the past, the vast majority of national forest timber sales were for "timber commodity" purposes. Today, however, more and more sales are being made to advance "forest stewardship" objectives. The shift that has occurred just since FY 1993, when the three different classes of sales were first distinguished for reporting purposes, is depicted in figure (2). As this figure shows:

- The size of the "timber commodity" component has steadily fallen from 71 to 52 percent of harvest volume.
- The size of the "forest stewardship" component has steadily grown from 24 to 40 percent of harvest volume.
- The size of the "personal use" program component has been relatively stable at 5 to 8 percent of harvest volume.

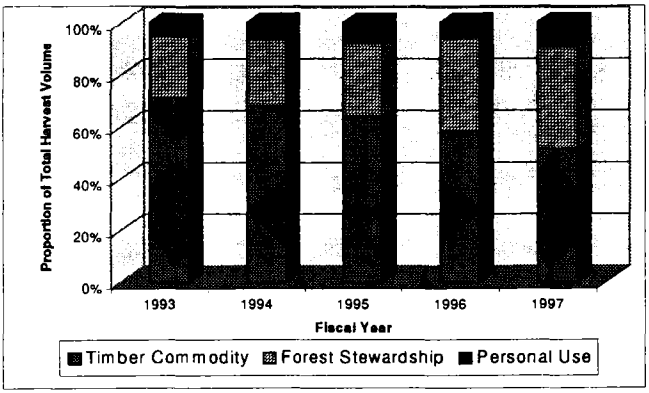

Figure (2) -- Trend in Size of Different Components of the National Forest Timber Sale Program.

In interpreting the preceding figure, remember that the indicated shift in program emphasis has occurred against the backdrop of a shrinking program. Furthermore, recognize that stewardship purpose sales may be undertaken for any of several reasons. These are:

- Forest Ecosystem Health -- Includes projects, or parts of projects, the primary objective of which is any of the following: (1) promoting long-term forest ecosystem health through forest pest and fuels (combustible materials) management; (2) preventing resource losses and ecosystem damage from catastrophic events, such as fire and windstorms; (3) keeping forest ecosystems within their historic range of variability; or (4) reducing reforestation and site rehabilitation costs after catastrophic events.

- Recreation/Visual/Cultural Resource Enhancement -- Includes projects, or parts of projects, the primary objective of which is any of the following: (1) removal of trees that create hazards around recreation or cultural resource areas; (2) opening desired vistas; or (3) regenerating specific species -- e.g., aspen -- to create landscape variety.

- Wildlife Habitat Management -- Includes projects, or parts of projects, the primary objective of which is to create and/or perpetuate habitat conditions favorable to certain species of wildlife. Illustrative would be a project that seeks to stimulate acorn production by controlling competition in oak stands.

- Fisheries Habitat Management and Watershed Improvement -- Includes projects, or parts of projects, the primary objective of which is either of the following: (1) creating and/or perpetuating desirable fisheries habitat; or (2) managing watersheds to attain specific objectives such as increased soil stability, higher water quality, or improved control over water yields. Illustrative would be a project that seeks to influence rates of snowmelt by regulating timber-stocking levels, and thereby shading.

- Threatened & Endangered (T&E) Species Habitat Management -- Includes projects, or parts of projects, the primary objective of which is to create and/or maintain suitable habitat for T&E species. Illustrative would be projects undertaken to create and/or preserve vegetative patterns preferred by old growth dependent, or riparian species such as the northern goshawk and Pacific fisher.

- Range Resource Enhancement -- Includes projects, or parts of projects, the primary objective of which is to improve the range resource for use by domestic livestock. Illustrative would be a project that creates openings improving the production of forage for cattle.

- Nontimber Products -- Includes projects, or parts of projects, the primary objective of which is to implement a stewardship objective through the commercial sale of nontimber products such as posts, poles, firewood, and Christmas trees.

- Other -- Includes projects, or parts of projects, the primary object of which is to implement a stewardship objective that cannot be classified into any other stewardship purpose category. Illustrative would be a project intended to clear right-of-way for a general purpose forest road.

In FY 1997, the vast majority of stewardship purpose sales were made to benefit forest ecosystem health. Indeed, such sales accounted for nearly three-quarters of all the volume harvested for stewardship purposes. Other significant reasons for stewardship harvesting included the desire to manage both wildlife habitat and T&E species habitat. Together, these two objectives accounted for over 15 percent of the total volume harvested for stewardship purposes.

The following series of photos (photos 1-4) from the Lick Creek Experimental Forest located on the Bitterroot National Forest south of Missoula, Montana, demonstrate how the Forest Service is using stewardship harvesting in combination with prescribed fire to: (1) restore historic forest conditions; (2) reduce the risk of catastrophic, stand-replacing fires; and (3) promote sustainability. This area was once subject to frequent low intensity ground fires, which served to maintain a ponderosa pine forest characterized by a relatively open, park-like structure.

Photo No. 1 shows the condition of the area before treatment. As indicated, this site, which had once been dominated by large, widely spaced ponderosa pine, was now occupied by an unnaturally dense understory of fir and cedar. These conditions were the result of heavy logging in the early 1900's followed by subsequent exclusion of fire. Perpetuation of these conditions would have represented an open invitation to disaster.

Photo No. 2 shows the same scene after understory trees have been removed through logging. As indicated, the stand is now much more open. Additionally, the tan-skinned ponderosa pine that once dominated the site are now much more evident. The logging debris that is visible in the foreground has been deliberately left so that it can contribute nutrients to the soil.

Photo No. 3 shows the same scene while a prescribed burn is in progress. Note how the fire is burning around the larger ponderosa pine. Strategically, it is important to treat such areas before the duff layer -- i.e., the layer of bark, needles, branches, and other woody debris that accumulates on the forest floor -- becomes too deep. In overly dense stands, this layer may be as much as two feet deep. Under these circumstances, a fire can burn so hot that it damages the roots of even the larger trees, thereby killing them.

Photo No. 4 shows the same scene 1-year after the completion of the prescribed burn. This is probably visually similar to how the area looked before being logged for the first time in the early 1900's. Now that the competing vegetation has been removed, the residual ponderosa pine trees will grow rapidly, and will provide a natural seed source for new ponderosa seedlings. Managers may want to use prescribed fire on this site again in another 10 to 25 years. Where debris accumulations are heavy, two or three prescribed fires may be needed.

Photo No. 1 -- Pretreatment condition of the site.

Photo No. 2 -- Site following removal of selected trees.

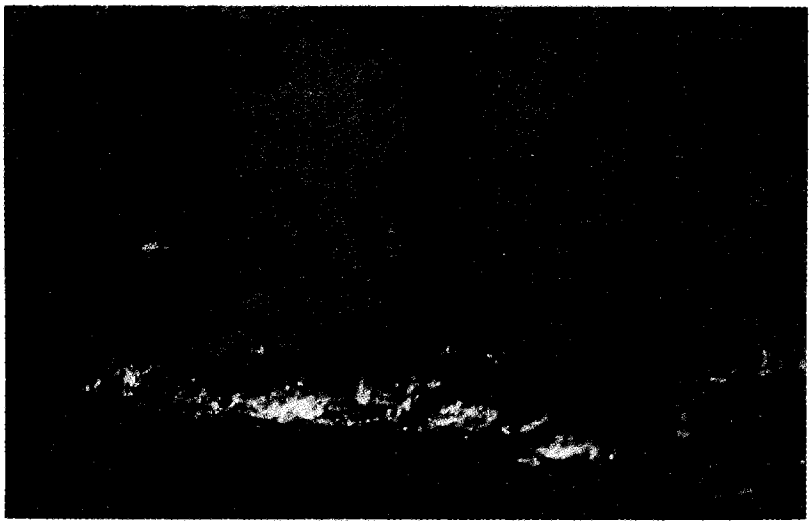

Photo No. 3 -- Site undergoing a prescribed burn.

Photo No. 4 -- Site 1-year after prescribed burn.

Photo No. 5 shows how stewardship harvesting aimed at reducing forest fuels can dramatically influence fire behavior and ultimately the extent of resultant resource damages. The area pictured is a portion of the Wenatchee National Forest in Region 6 that was burned by the Tyee Fire in 1994. Prior to the fire, a "shaded fuelbreak" had been created by mechanically thinning and removing the understory vegetation and "fuel ladder" conditions from a strip of land along the top of the ridge.[2] As shown, before reaching the fuelbreak the fire was a lethal, stand-replacement fire. Upon reaching the break, however, the fire dropped to the ground and burned across the break without damaging any of the larger trees. Once it had traversed the break, the blaze once again jumped back into the crowns of the trees.

Trend in Harvest Methods:

Between 1989 and 1997, consistent with the decline in the size of the timber sales program, the amount of national forest land being annually impacted by timber harvesting has also dropped -- from 1,015,418 acres to 457,848 acres, a reduction of over 55 percent. At present, less than 1 percent of the area identified in forest plans as being suitable for timber production is actually impacted by harvesting operations in any given year.

In the past, clearcutting -- i.e., removing all the trees within a specified area at once -- was used to harvest substantial volumes of national forest timber. Over time, however, this method of harvesting became increasingly controversial. As a consequence, in FY 1992, a policy decision was made to de-emphasize the use of this practice. Since that time, the acreage of national forest land being harvested by means of clearcutting has steadily fallen -- from 162,664 acres in FY 1992, to 45,854 acres in FY 1997 -- a decline of almost 72 percent. (See figure 3)

The decline in the number of acres being clearcut cannot be fully explained by the fact that the size of the national forest timber sales program has fallen, because usage of clearcutting has dropped in relative as well as in absolute terms. Since the policy on clearcutting was adopted in FY 1992, clearcutting as a proportion of all timber harvesting has fallen from 22 to 10 percent. (See figure 3)

Besides the reduction in the use of clearcutting, a growing number of national forest managers are opting to require "environmentally sensitive" logging techniques -- e.g., cable as opposed to ground logging systems, or helicopter as opposed to cable logging systems.

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[2] A "fuel ladder" consists of combustible materials of varying heights that can allow a fire to climb from the forest floor into the crowns of the overstory trees.

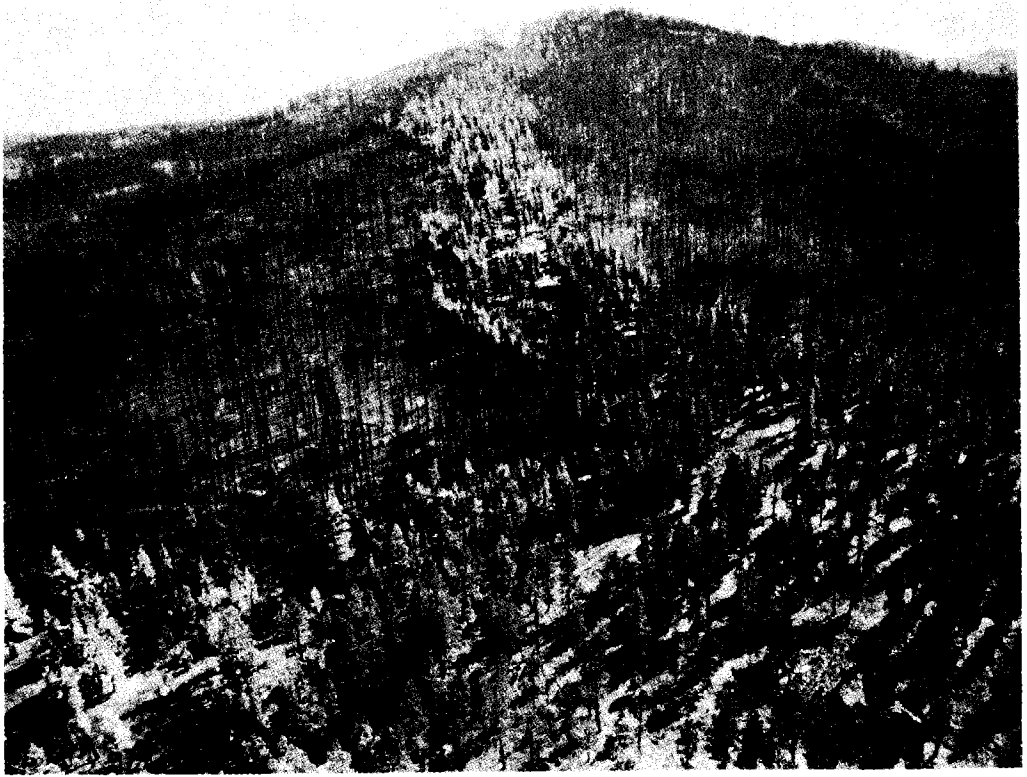

Photo No. 5 -- Shaded fuelbreak left intact during Tyee Fire, Wenatchee NF, 1994.

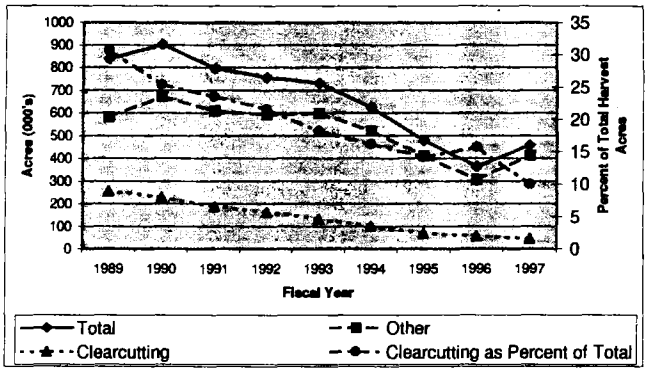

Figure (3) -- Trend in Use of Clearcut Harvesting.

Trend in Type of Products Being Removed:

The last trend to be documented concerns the changing nature of the timber products being harvested off national forest lands. The products being removed today are substantially different, in two important respects, from the products commonly removed in the past. One difference relates to the mix of sawtimber and nonsawtimber sized material. The second difference relates to the mix of green and salvage material.

Mix of Sawtimber vs. Nonsawtimber Material -- In the past, considerable emphasis was placed on converting mature or overmature stands with young, rapidly growing stands. Consistent with this situation, a relatively high percentage of harvest volume tended to be sawtimber sized trees. Today, more and more emphasis is being placed on partial cutting, and on using timber harvesting as a tool to improve forest health and reduce forest fuels. Consistent with this situation, smaller-sized trees now comprise a greater proportion of the total harvest mix. The actual trends are shown in figure (4). The data indicate that in FY 1989 nonsawtimber volume constituted only 20 percent of the total harvest -- but today it accounts for over 40 percent of the program.

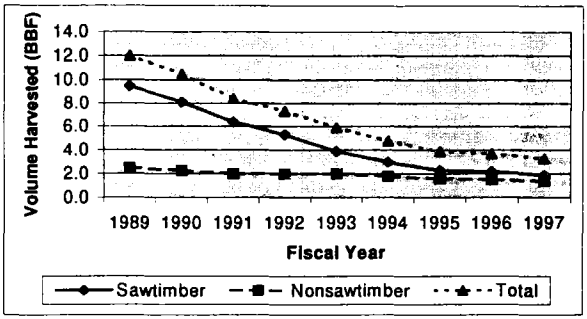

Figure (4) -- Trend in Amount of Sawtimber v. Nonsawtimber in Harvest Mix.

Mix of Green vs. Salvage Material -- In the past, most national forest timber sales were undertaken to help meet the Nation's demand for wood -- i.e., they were timber commodity purpose sales. Consistent with this fact, the bulk of the timber offered for sale was green. Today, because public concern over forest health has grown, salvage volume has become an increasingly important part of the agency's total offer mix. The actual trends are shown in figure (5). The data indicate that in FY 1989 salvage volume accounted for only about 20 percent of the total offer volume -- but today it represents over 40 percent of the program.

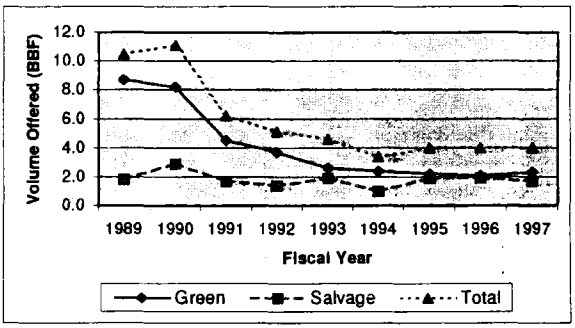

Figure (5) -- Trend in Amount of Green v. Salvage Volume in Offer Mix.

Effects on Program Profitability

Figure (6) shows how the four trends discussed above, in combination, have affected the profitability of the national forest timber sales program. Before the figure can be interpreted, a major accounting change that was implemented in FY 1997 needs to be discussed. This change concerns the treatment of "road prism" costs. These are the costs associated with constructing the roadbeds that are an integral part of all timber access roads. Prior to FY 1997, consistent with generally accepted accounting principles applicable to the private sector, these costs were permanently capitalized into land values. This treatment was predicated on the assumption that if the prisms were properly maintained, they would have an infinite useful life. Starting in FY 1997, consistent with new accounting standards for federal agencies, these costs must be annually expensed. Although this change does not require the Forest Service to restate its prior year financial results, some restated figures were used in constructing figure (6). This was done so that the impacts of the various trends that have been discussed could be examined without being confused by the effects of the new accounting procedure. Specifically, for the period FY 1993 to FY 1997, figure (6) shows two sets of total expense and net revenue curves – one reflecting the situation "without" annual expensing of road prism costs (the old procedure), and one reflecting the situation "with" annual expensing of road prism costs (the new procedure).

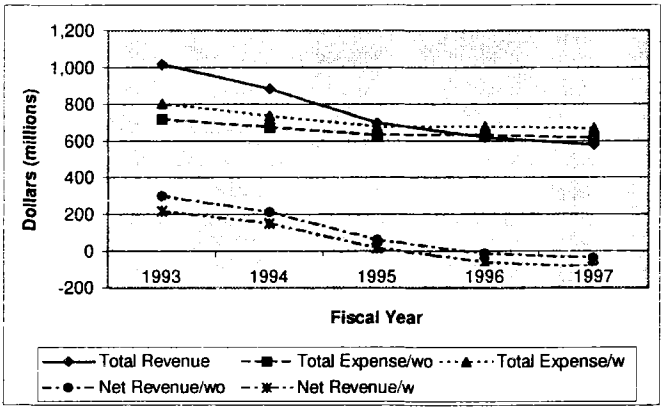

Figure (6) -- Trend in Timber Sale Revenues, Expenses, and Net Revenues With (w) and Without (wo) Annual Expensing of Road Prism Costs.

As figure (6) shows, regardless of how road prism costs are assumed to be handled, program-related revenues and expenses have both been declining since FY 1993 -- but revenues have been falling more rapidly than expenses, thereby causing net revenues (i.e., profits) to drop. Without annual expensing of road prism costs (the old procedure), net revenue has declined from +$301 million in FY 1993 to -$37 million in FY 1997. With annual expensing of road prism costs (the new procedure), the net revenue drop over the same period of time has been from +$216 million to -$89 million.[3]

The downward trend in program size has adversely affected the program's profitability in essentially two ways -- by causing revenues to fall, and expenses to increase. Revenues have fallen because substantially less volume is being sold and harvested today than was the case in the past. Expenses have increased because of the diseconomies associated with operating the program at a smaller scale. Prior Forest Service studies have shown that the unit costs of many important timber-related activities -- e.g., site preparation, harvest administration, reforestation, and timber stand improvement -- tend to increase as they are performed on fewer acres.

The trend in harvest objectives has adversely affected the program's profitability primarily by causing revenues to fall. Revenues have fallen because the timber included in "forest stewardship" and "personal use" purpose sales is not selected on the basis of its commercial value, but on the basis of other considerations such as the particular management objectives to be achieved. Accordingly, as figure (7) shows, in FY 1997 the unit revenue -- i.e., revenue per thousand board feet (MBF) of volume harvested -- was substantially less for these types of sales than it was for timber commodity purpose sales. In contrast, unit expense -- i.e., expense per MBF of volume harvested – differed very little by sale purpose. The end-result was that unit net revenue -- i.e., profit per MBF harvested -- was much less for forest stewardship and personal use purpose sales than it was for timber commodity purpose sales. As these types of sales have grown to become a more important part of the overall sales program, financial profitability has suffered.

The trend in harvest methods has adversely affected the program's profitability by increasing costs. It is generally recognized that both sale preparation and harvest administration costs tend to be higher for partial cutting systems. Additionally, partial cutting systems often necessitate accessing more acres than clearcutting in order to realize a given volume -- which can sometimes create a need for more road construction.

[3] The financial consequences and other aspects of the Forest Service's FY 1997 forest management program are reviewed in depth in the latest *Forest Management Program Annual Report*.

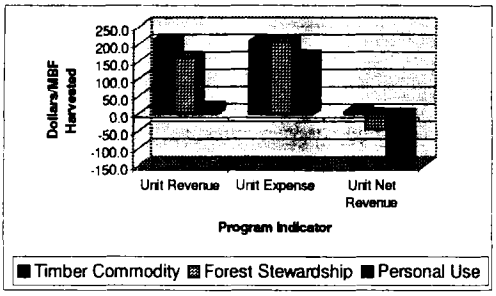

Figure (7) -- Comparison of Financial Performance of Different Timber Program Components in FY 1997.

Finally, the trend in the types of products being removed from the national forests has adversely affected the timber program's profitability by reducing revenues. Revenues have declined because nonsawtimber tends to be less valuable than sawtimber, and salvage material tends to be less valuable than green material. Nonsawtimber is typically less valuable because it cannot be manufactured into as broad an array of products, and oftentimes it contains very little clear, high-grade wood. Salvage material is typically less valuable because frequently it has been damaged, or suffered some degree of deterioration.

While the preceding trends have all had an important affect on the profitability of the national forest timber sales program, they are not the only factors that have been operative. Other factors that have had an affect, especially on program costs, include the following:

- Open Process and High Environmental Standards – From a procedural standpoint, the Forest Service adheres to a very open process in planning timber sales; members of the public are provided many opportunities to express their views on any proposed action. From an operational standpoint, the agency carries-out timber sales within the context of forest plan standards and guidelines designed to protect important environmental values. While these requirements are deemed to be beneficial, as various investigators have observed – they do sometimes increase costs.[4]

[4] See either of the following reports: (1) General Accounting Office; 1996; *PUBLIC TIMBER – Federal and State Programs Differ Significantly in the Pacific Northwest*; GAO/RCED-96-108; 16 p; or (2) Keegan, Charles E. III et al; 1996; "Timber Management Costs: A Comparison Among Major Landowners in Idaho and Montana;" *Montana Business Quarterly* Vol 34, no. 2: pp. 9-14.

- Consensus Building Behavior – Many Forest Service field managers, in an effort to minimize the likelihood that proposed timber sales will be either appealed or litigated, have consciously elected to adhere to certain procedures that, although they may increase costs, may also make the projects less controversial. Illustrative of these practices are the following: reducing the size of proposed sales; requiring more environmentally sensitive methods of logging (e.g., helicopters); emphasizing thinnings as opposed to regeneration harvests; emphasizing pulpwood and other smaller products as opposed to sawtimber; and including nonsale activities favored by the public (e.g., road obliteration) in sale proposals.

- Increasing Importance of Relatively Fixed Costs – Some timber program costs – e.g., depreciation on existing facilities and roads, line officer support, rents, utilities, and so on – tend to change relatively little with program size. In recent years, as the size of the timber sales program has shrunk, these costs have become an increasingly important element of overall program costs. This fact has made it more difficult to control unit costs.

- Disappearance of the Pipeline – Pipeline volume represents advanced sale preparation for future years. For a period of time, as the national forest timber sale program became increasingly controversial, managers were able to keep their output levels up, and their unit costs down, by drawing upon this type of volume. Eventually, however, this cushion disappeared – and the impacts of various factors on program costs could no longer be avoided.

- Shrinking Volume Under Contract – Volume under contract represents the amount of national forest timber that purchasers have acquired but not yet harvested; it is a key factor in determining the rate at which costs in the "sale activity pool" of TSPIRS are written-off. Specifically, the volume under contract is inversely related to the rate at which sale pool costs are expensed. In recent years, since the volume under contract has been declining – the proportion of sale activity pool's balance being expensed has increased.

Concluding Observations

For several years the Forest Service has been striving to ensure that its timber-related activities are conducted as efficiently as possible. As previously noted, a number of major cost efficiency studies were conducted in the early 1990's. Those studies led to the development and implementation of national as well as regional cost efficiency action plans. More recently, the Washington Office instituted a series of regional cost efficiency reviews designed to highlight emerging efficiency problems and the actions being taken to deal with them. Additionally, the agency's Timber Sale Preparation Handbook was amended to require the performance of an efficiency analysis during the initial planning of all proposed timber sale offerings. The principal objective of this analysis is to identify possible economic viability problems before substantial resource commitments have been made.

The success of the preceding actions, as well as other steps that have been taken, has been mixed. As figure (6) shows, total timber program expenses have been decreasing since FY 1993 – but this decrease has not been enough to preserve the program's overall profitability. Indeed, it now appears that as the Forest Service's timber management program has evolved from a large-scale enterprise focused mainly on fiber production to a smaller-scale enterprise focused largely on using timber sales to help promote forest and ecosystem health – it has also been transformed, perhaps unavoidably, from a profit-making to a net-cost endeavor.

When seeking to evaluate the financial performance of the national forest timber sales program, several fundamental points should be kept in mind. These include the following:

- *The national forests have a very different mandate from private timber companies.* – As a matter of law and policy the national forests are not managed like private timber companies, and these differences profoundly effect the revenues received as well as the costs incurred. Typically timber is grown for longer periods of time before being harvested, higher stocking levels are maintained, more attention is given to natural and uneven-aged management, greater emphasis is placed on the non-timber values obtainable from forest lands, and far more open and publicly accessible administrative processes and procedures are utilized. Recognizing these differences, one must ask – to what extent should profitability considerations dictate when national forest timber may be sold and harvested?

- *Timber sales are oftentimes the least net cost method of achieving desired non-timber management objectives.* – A 1994 Forest Service study of 19 national forests from around the country found that timber sales, even some that may be below-cost, are frequently the "least net cost method" of attaining various non-timber management objectives that require manipulating the existing vegetation – e.g., improving forest health, reducing forest fuels, and creating desired habitat conditions.[5] The basic reason is that the alternatives to a timber sale – e.g., prescribed burning, use of chemical herbicides and pesticides, and mechanical treatments such as cut and leave – do not generate any revenues to help offset their costs of application. This suggests that a policy that precludes all below-cost timber sales would oftentimes cause overall net operating costs at the forest-level to increase, not diminish.

- *Timber sales provide many benefits beyond the revenues earned.* – Revenues are not the only benefit derived from national forest timber sales; indeed, they are typically not even the most important benefit. From an economic perspective, other important benefits include the job opportunities that are created, the income that is generated for individuals and businesses, and the incremental tax receipts that various levels of government collect from taxing this income. From an ecological perspective, the additional benefits include the full array of long-term resource management goals achievable through stewardship harvesting – e.g., better

[5] See: Reyna, Nick and Prausa, Rick, 1994. *Evaluating the Use of Timber Harvest on 19 National Forests: An Exploratory Study of Below-Cost Timber Sale Issues and Changing Management Conditions.* USDA Forest Service. Washington, DC. 16p.

understory browse for grazing livestock, improved water yields, and restoration of stands to historic and sustainable conditions. Finally, the wood that is produced helps to satisfy market demands without relying on: 1) expanded use of non-renewable substitutes (e.g., plastics, metals, and concrete), or 2) expanded imports.

- *National forest timber is competitively sold to private industry at fair market value.* – There is no subsidy associated with the sale of national forest timber. Before timber is sold, an appraisal is conducted to estimate the material's fair market value – and, by law, it cannot be sold for less than this amount.[6] When a sale is made, competitive bidding occurs and the contract is normally awarded to the qualifying firm offering the highest bid.[7] There are essentially two reasons why the Forest Service cannot always price its timber high enough to cover its full costs of production. First, there is the fact that the policies and procedures under which it operates tend to make it a relatively high cost timber producer. Secondly, there is the fact that price it can charge is determined in an open market where most purchasers have the choice of buying either public or private stumpage. Given these circumstances, should the agency seek to fully recover its costs, in many cases it would only succeed in pricing itself out of the market and losing its ability to use timber sales as a management tool. As was noted above, in many instances the end result would be higher, not lower, net operating costs. Although the agency could refuse to make timber sales where it cannot recover its full costs of production, consistently behaving in this manner could jeopardize its ability to: 1) fulfill its congressionally mandated mission to "furnish a continuous supply of timber for the use and necessities of the citizens of the United States," [8] 2) meet the needs of timber-dependent communities, and 3) sustain an adequate level of mill capacity to ensure a competitive market for any woody material that it may subsequently choose to offer through stewardship sales.

We hope this paper has helped to deepen your understanding of the complexities associated with managing diverse national forest ecosystems, and welcome any questions you may have.

[6] 36 CFR 223.60 and 223.61
[7] 36 CFR 223.100
[8] Organic Administration Act of June 4, 1897.

Excerpt from 1997 TSPIRS Report

REVIEW OF TSPIRS AND FY 1997 CHANGES

Most of the information presented in this report was compiled by the Timber Sale Program Information Reporting System (TSPIRS). Accordingly, it is appropriate to briefly describe its origin, structure, and objectives.

Review of TSPIRS

TSPIRS was developed in response to Congressional direction contained in the Conference Committee Report on the 1985 Interior Appropriations Bill. The impetus for this direction was concern over "below-cost" sales, and the desire to have better information on the benefits and costs of selling national forest timber. The system was "pilot-tested" during FY's 1987 and 1988, and was officially implemented in FY 1989. It consists of three parts, each of which is described below.

The Financial Account

The TSPIRS financial account displays the revenues, expenses, and resultant net revenues (i.e., revenues minus expenses) associated with the harvesting of national forest timber in a given year -- doing so in an annual financial statement format. It was jointly developed by the Forest Service and General Accounting Office (GAO).

Separate financial accounts are developed by forest, region, and for the Forest Service as a whole. Additionally, at each administrative level, revenues, expenses, and net revenues are separately reported for three distinct components of the overall sales program. These components are:

- **Timber Commodity Purpose Sales** -- This component includes sales being made primarily to supply timber in response to society's demand for wood.

- **Forest Stewardship Purpose Sales** -- This component includes sales being made primarily to help achieve desired ecological conditions and/or to attain some non-timber resource objective that requires manipulating the existing vegetation -- e.g., improving forest health or reducing forest fuels.

- **Personal Use Purpose Sales** -- This component includes sales being made primarily to supply firewood, Christmas trees, and other miscellaneous forest products to individuals for their own consumption.

The revenues that are recognized in the financial account include actual stumpage receipts, purchaser road credits used to pay for harvested timber,[1] purchaser deposits for such things as road maintenance and brush disposal -- called associated charges, and any interest or penalty payments that are assessed.

The expenses that are recognized in the financial account fall into four broad categories:

- **Direct Timber Sale Expenses** -- Included are the costs of such activities as sale preparation and harvest administration.

- **Direct Timber Program Expenses** -- Included are the costs of such activities as transportation planning, conducting silvicultural examinations, and reforesting cutover areas.

- **Indirect Timber Sale Expenses** -- The primary thing included here is the cost of dealing with appeals and litigation.

- **Indirect Timber Program Expenses** -- Included are any costs of a "general administration" nature -- i.e., the portion of line management and program support costs that is properly chargeable to the timber program.

To better match annual sale-related revenues to annual sale-related expenses, expenses that are long-term investments -- i.e., expenses that will benefit future sale-related activities as well as those being conducted in the reporting year -- are placed into one of three pools and are redistributed back to a particular year based on pre-established formulas. This method of accounting is called "accrual" accounting, and it differs from "obligations-based" or "cash-flow" accounting.

TSPIRS recognizes three cost pools. These are:

- **Sale Activity Pool** -- This pool includes those costs directly associated with the preparation of timber sales. The costs placed in it are expensed using the ratio of volume harvested to volume harvested plus volume under contract.

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[1] Purchaser road credits are earned as timber purchasers complete construction and/or reconstruction of Forest Service mandated roads. The work must be performed to standards established by the Forest Service, and the amount of credit earned is governed by cost estimates developed by agency engineers. These estimates reflect the costs that an operator of average efficiency should incur to perform the desired work.

- **Growth Activity Pool** -- This pool includes those costs associated with growing timber over an entire rotation. The costs placed in it are expensed using the ratio of volume harvested to the total growing stock volume on suitable lands.

- **Depreciation Pool** -- This pool includes those costs associated with roads and facilities. The costs placed in it are depreciated over predetermined periods of time set to approximate each asset's anticipated useful live.

The method that TSPIRS uses to "pool" certain costs and subsequently "write-them-off" in later years is consistent with Federal government accounting standards as prescribed by such authoritative bodies as the Federal Accounting Standards Advisory Board (FASAB).

Over the years, considerable debate has surrounded the question of whether or not the 25 percent of timber sale receipts that must, by law, be returned to the states and counties for use in supporting local schools and roads -- i.e., "payments to states" -- should be counted as a timber program cost.[2] Some argue that since the original intent of these payments was to substitute for the property taxes that private landowners would pay, they should be treated as a cost. The Forest Service, however, has consistently maintained that these payments are not a program cost, but a redistribution of income that occurs outside the agency's normal financial activity. Accordingly, while payments to states for FY 1997 are documented in this report, they are not treated as a timber program cost.

The Forest Service recognizes that the decline of the timber sales program, because it directly influences the size of the receipt-share payments that are made, has had a profound effect on some local communities. In response, the agency has proposed severing the existing linkage between such payments and national forest receipt levels. Under this proposal, which has been forwarded to Congress as part of the President's recommended budget for FY 1999, states and counties would receive the greater of: 1) the receipt-share payment they received in FY 1997; or 2) 76 percent of the average payment they received during the 5-year period from 1986 to 1990. It has been estimated that adoption of this reform would return an additional $37 million to the states and counties in FY 1999.

The Economic Account

The TSPIRS economic account displays the long-term benefits and costs expected to result from a given year's timber harvesting activities. The account's information complements the data in the financial account in three ways:

- by considering future effects, not just immediate effects;

[2] Payments were originally authorized through legislation enacted on May 23, 1908. (Ch. 192, 35 Stat. 251, as amended; 16 U.S.C. 500, 16 U.S.C. 553, 31 U.S.C. 534)

- by recognizing effects on all resource values, not just timber-related effects; and

- by examining "economic" effects, not just "financial" effects.

All of the preceding differences merit brief clarification. Concerning the first distinction, the basic idea is that the financial account uses a single year as its frame of reference -- i.e., the year during which the timber harvesting operations being evaluated were actually conducted -- while the economic account considers a timeframe that is infinite in length. Concerning the second distinction, the basic idea is that the financial account documents only timber program effects, while the economic account considers how timber harvesting affects all resource programs -- i.e., recreation, wildlife, fisheries, grazing, soils, and water. Finally, concerning the third distinction, the basic idea is that the financial account examines only actual receipts and expenditures, while the economic account, where appropriate, uses state-of-the-art non-market analysis techniques to quantify relevant resource effects that cannot be evaluated by other means.

The economic account is constructed by performing what is called a "with-and-without" analysis. Initially, relevant resource effects are estimated under the assumption that a particular year's timber harvesting operations are indeed conducted. Next, these same resource effects are estimated using the assumption that no timber harvesting occurred. Lastly, the marginal or incremental output changes attributable to timber harvesting are evaluated. These output changes may be immediate or delayed (i.e., experienced now or experienced later). Additionally, the changes may be either positive (e.g., increased recreation and decreased sedimentation) or negative (e.g., decreased recreation and increased sedimentation. Once the relevant output effects have been expressed in physical terms -- e.g., animal unit months (AUM's) in the case of grazing, or visitor-days (RVD's) in the case of recreation -- they are re-expressed as monetary equivalents. The unit values employed to make these conversions are taken from the best available information sources which may be site-specific research studies, values used in RPA planning, or values set-forth in forest plans.

To facilitate making direct comparisons between monetary values occurring at different points in time, the economic account discounts the values of all anticipated output changes, positive as well as negative, back to the desired base year using a 4 percent real rate of interest. The present value of the negative output changes is then deducted from the present value of the positive output changes to determine the present value of the benefits. As a last step, the present value of any costs, including road costs, that will have to be incurred to realize the projected benefits is subtracted from the present value of the benefits themselves to derive two "present net value" (PNV) figures -- one that considers timber resource effects only, and one that considers effects on all resources, including timber.

Conceptually, when the PNV, considering all resource effects, is positive, it indicates that, at the assumed rate of interest, the timber harvesting investments that were made during the year in question were economically justified, because the present value of the expected

long-term benefits exceeded the present value of the expected long-term costs. This fact illustrates one of the complexities of the below-cost sale controversy -- namely, that of selecting the criteria by which to determine if a below-cost situation exists. It is not uncommon for forests to have a negative net revenue in the financial account of TSPIRS and yet have a positive PNV in the economic account.

The Employment, Income, and Program Level Account

The TSPIRS employment, income, and program level account displays the employment, income, and Federal income tax benefits attributable to a given year's timber harvesting activities -- and also documents certain key timber program accomplishments. Like the financial account, its frame of reference is a single year -- this being the year in which the harvesting operations being reported upon were actually conducted. Despite this similarity, however, the information contained in the account compliments the data presented in the other accounts of TSPIRS in two ways:

- by recognizing certain important social and economic impacts not captured in the other accounts; and

- by providing a more complete description of timber program accomplishments.

Because of these differences, inclusion of the account strengthens TSPIRS and enables the reporting system, in the aggregate, to more fully portray the "net public benefit" that results from each year's forest management program.

The employment and income figures shown in the account are developed using IMPLAN or some other suitable input-output model, and the implied Federal income tax changes are computed as a percentage of the estimated income effects. While the last measure may require no explanation, some clarification of the other measures seems appropriate.

The account's employment figures depict the average number of full- and part-time employees using National Income and Product Account conventions. Additionally, they indicate not only the "direct" employment attributable to the national forest timber program, but also any relevant "indirect" and "induced" employment effects. Direct effects capture the initial economic consequences that result from some Forest Service action -- e.g., additional sawmill production stimulated by national forest timber sales. Indirect effects capture the additional economic consequences that occur as supplying industries respond to the changed input requirements of the directly impacted industries -- e.g., increased purchases of fuel, trucks, and equipment by sawmills so they can process national forest timber. Finally, induced effects capture the added economic consequences that result from adjustments in household spending that are attributable to changes in either the original industries or their suppliers -- e.g., increased purchases by any new workers hired by sawmills or their suppliers because of the processing of national forest timber.

The account's income figures indicate what is called "total regional factor income," and they consist of essentially three things. These are:

- **Employee Compensation** -- This part includes wages and salaries, and supplements to wages and salaries (e.g., employer contributions to employee health benefit and retirement plans).

- **Proprietor's Income** -- This part includes the income of sole proprietorships, partnerships, and tax-exempt cooperatives.

- **Other Factor Income** -- This part includes such things as rental income, interest and dividend earnings, and corporate profits.

As with employment, the income figures reported in TSPIRS as being attributable to the forest management program include the direct, indirect, and induced effects. The Federal income tax consequences are determined by taking 15 percent of the estimated income figures.

The program accomplishments that are reported include more than the three measures typically stressed -- i.e., volume offered, volume sold and awarded, and volume harvested. Specifically, the account also presents data on: the area of land impacted by harvesting activities; the volume of free use firewood produced; the number of Christmas trees cut; the value of other "non-convertible products" produced (e.g., cones, boughs, and ferns); the area of land regenerated through planting, seeding, or by natural means; the area of land on which timber stand improvement activities were conducted (e.g., release, weeding, pruning, and precommercial thinning); and the mileage of timber access roads constructed and/or reconstructed using either appropriated moneys or purchaser road credits.

FY 1997 Changes

In FY 1997, a significant change was made in the way TSPIRS handles "road prism" costs. These are the costs, including excavation costs, that the agency incurs to construct the roadbeds that are an integral part of all timber access roads. This section describes the nature of the accounting change as well as its effects.

Change in Treatment of Road Prism Costs

For the past few years, the Federal Government has been developing and implementing new accounting standards. The body charged with developing and recommending these standards is the Federal Accounting Standards Advisory Board (FASAB). Assuming FASAB's recommendations are subsequently approved by the Office of Management and

Analysis of Financial Trends

The factors that underlie the revenues and costs associated with the national forest timber sales program, and thereby the program's profitability, were discussed at some length in last year's TSPIRS Report. As noted at that time, these factors are many and varied – and they run the gamut from being relatively obvious to being extremely complex. This section of the report provides a quick review the principal factors that have been affecting timber program revenues and costs. For a more complete examination of these topics, especially those relating to timber program costs, readers are referred to either of two comprehensive timber cost efficiency reports that the Forest Service has published in recent years.[8]

Factors Affecting Timber Program Revenues

The factors affecting timber program revenues have not been studied as extensively as those impacting program-related costs, but nonetheless some key reasons for the observed drop-off in receipts are apparent. These include the following:

Decline in Program Size: – The steady decline in the volume of national forest timber being harvested each year – from 12.0 BBF in FY 1989 to 3.3 BBF in FY 1997 - represents the most important reason why total timber sale revenues have dropped in recent years. Other things being equal, when less output is sold; less sales revenue is earned. Of course, in any given year, the prices that may be charged for national forest timber can either moderate or aggravate the effect of declining sales volume. In FY 1997, the average revenue earned from the harvest of national forest timber was up somewhat from FY 1996 – $176/MBF as opposed to $166/MBF – but was still down compared to either FY 1994 ($184/MBF) or FY 1995 ($180/MBF).[9]

Shift to Stewardship Purpose Sales: – Another factor that has reduced timber program revenues, and thereby profits, is the continuing shift from "timber commodity" to "forest stewardship" purpose sales. As has been noted, between FY 1993 when the sale purpose codes were first implemented, and FY 1997:

- The size of the timber commodity program component, expressed as a proportion of total harvest volume, declined from 71 to 52 percent.
- The size of the forest stewardship program component grew from 23 to 40 percent.

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[8] The study reports being referred to are: (1) USDA Forest Service, 1993, *Timber Cost Efficiency Study-Final Report*, Washington, DC, 140 p.; and (2) Liggett C. et al., 1995; *Timber Program Issues: A Technical Examination of Policy Options*; USDA Forest Service, Washington, DC, 301p.

[9] Average revenue was computed by dividing the total revenue earned by the total volume of national forest timber harvested. All the values shown are in terms of constant FY 1997 dollars.

- The size of the personal use program component was relatively stable at 7 to 8 percent of harvest volume.

The shifts implied by the preceding figures have had a significant effect on overall program profitability because of the differing financial characteristics of the various kinds of sales, which are highlighted in Figure (15). As the figure indicates:

- Average unit revenue varies substantially by program component – from $212/MBF for timber commodity purpose sales, to $161/MBF for forest stewardship purpose sales, to $19/MBF for personal use purpose sales. These differences reflect the fact that the different types of sales are undertaken for fundamentally different reasons. As explained earlier, timber commodity purpose sales are intended to help meet the nation's demand for wood, and as a consequence they are designed to include a significant proportion of commercially valuable timber. This is not the case for forest stewardship and personal use purpose sales. Most of the timber included in these sales is selected based on the management objectives to be achieved, not because of commercial considerations.

- Average unit expense varies relatively little between timber commodity and forest stewardship purpose sales, equaling $208/MBF for the former and $205/MBF for the latter. The comparable figure for personal use purpose sales is somewhat lower – i.e., $167/MBF – but not greatly different (See Figure 15). These results are somewhat puzzling given that the procedural requirements associated with personal use purpose sales tend to be considerably less complex than those associated with timber commodity or forest stewardship purpose sales. The explanation lies in the fact that personal use sales produce very little wood volume, and thus their unit costs tend to be quite high.

- Average unit net revenue differs greatly between program components ranging from +$4/MBF for timber commodity purpose sales, to -$44/MBF for forest stewardship purpose sales, to -$148/MBF for personal use purpose sales. These results are a direct consequence of the fact that unit revenues vary widely while unit expenditures are relatively constant.

It may be worthwhile to stress that these relationships are to be expected, and indeed are traceable to the specific objectives of each class of sales. As decisions about sale design are made less-and-less on the basis of financial considerations (e.g., what timber should be removed in light of current market needs), and more-and-more on the basis of ecological considerations (e.g., what timber should be removed to create certain desired habitat conditions), it is reasonable to expect that program profitability will suffer. This suggests that, except possibly for timber commodity purpose sales, profitability may no longer be an appropriate measure for judging the performance of the Forest Service's forest management activities.

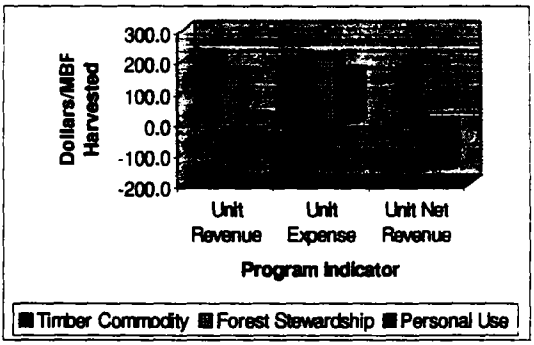

Figure (15) -- Comparison of Timber Program Components in terms of Selected Program Indicators.

Changing Nature of Products Being Sold: -- A third factor that has been causing national forest timber sale revenues to decline, both on a total and unit basis, relates to the changing nature of the products being sold and harvested off NFS (National Forest System) lands. As noted earlier in this report, in comparison to the past, the timber being removed from the national forests today includes: (1) proportionately more dead and dying trees as opposed to green timber (See Figure 16); and (2) proportionately more non-sawtimber as opposed to sawtimber volume (See figure 17).

Generally, salvage timber is less valuable than green timber because it has often been damaged or suffered deterioration. Similarly, non-sawtimber is typically less valuable than sawtimber because it cannot be manufactured into as broad an array of products, and oftentimes it contains a smaller amount of clear, high-grade wood.

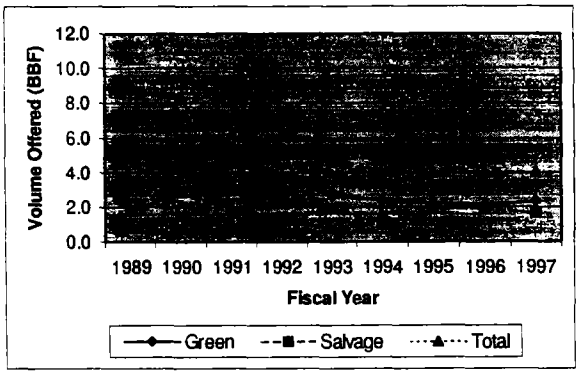

Figure (16) – Trend in the amount of Green vs. Salvage Volume in the Offer Mix

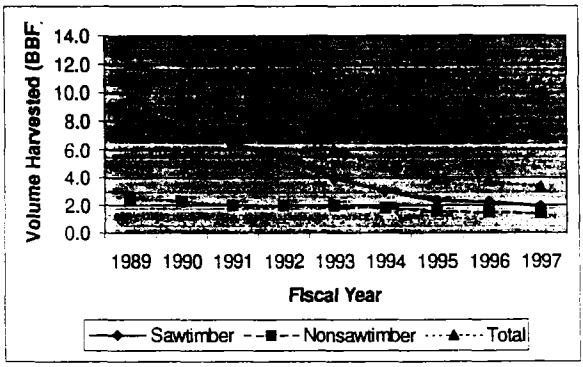

Figure (17) – Trend in the amount of Sawtimber vs. Non-sawtimber in the Harvest Mix.

Factors Affecting Timber Program Costs

Receipts are only one of the variables that determine the profitability of the Forest Service's forest management program; the other is costs. Accordingly, to understand why program profitability has been falling, it is also necessary to understand why costs, at least on a unit

basis, have continued to rise even though the size of the timber sales program has dropped. Regrettably, there is no simple explanation. Many factors, only some of which are discussed below, have been operating so as to increase program costs.

Increasing Importance of Fixed Costs: – There are certain relatively fixed costs associated with conducting the national forest timber sale program – e.g., the expenses associated with the depreciation on existing facilities and roads, and with general program administration. As the program has decreased in size, these costs have not changed commensurably. As a consequence, such costs have become an increasingly important proportion of the total cost mix, and have had to be borne by fewer units of output. To illustrate, Figure (18) shows how expenditures for "general administration" (GA) have changed over time as a percentage of all timber-related expenditures.[10] As indicated, in just the last 4 years, total expenditures for GA have grown from approximately 20 percent of all timber program costs to about 30 percent of these costs.

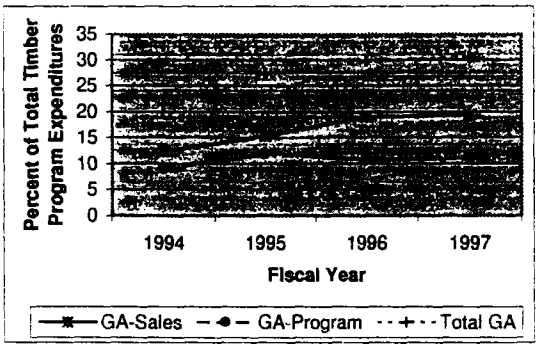

Figure (18) -- Trend in Timber Program GA Expenses.

Diseconomies of Small Scale Operations: -- The efficiency studies that were mentioned earlier have shown that there are important "economies of scale" associated with various aspects of the timber program -- e.g., sale preparation, harvest administration, reforestation, and timber stand improvement. The existence of these "scale economies" means that the unit costs of conducting such activities tend to decrease as the scale at which they are conducted is increased. In recent years, however, just the opposite has been the case -- i.e., the size of the timber program has been shrinking. The end result is that the unit costs of performing these activities have actually tended to increase.

[10] As noted in the glossary, GA represents the cost of line management and program support that cannot be identified with specific programs. A proportionate amount of a forest's total GA is allocated to the timber program based on the estimated extent to which the program benefits from GA-type activities.

Open Process and High Environmental Standards: – From a procedural standpoint, the Forest Service adheres to a very open process in planning timber sales; members of the public are allowed ample opportunities to express their views on any proposal. Additionally, the agency operates an administrative appeals process that allows the public to challenge proposed decisions without having to resort to the courts. From a practice standpoint, the Forest Service carries-out timber sales within the context of forest plan standards and guidelines designed to ensure protection of all important environmental values. These procedural and operational requirements are beneficial, but they result in increased costs. The General Accounting Office (GAO), in comparing the timber sale programs of the Forest Service and Bureau of Land Management (BLM) in the Pacific Northwest to those of the state timber sale programs in Oregon and Washington, observed:

> "The federal agencies have a much longer and more complex planning process that involves the public at every stage of the process for timber sales. ... In addition, the state agencies do not provide for administrative appeals, whereas the federal agencies do." [11]

Similarly, Keegan et al., after conducting a study that compared the timber management costs on eight national forests in Montana and Idaho to the costs experienced by a broad range of other forest owners and managers (private industry, the Idaho Department of Lands, the Montana Department of Natural Resources and Conservation, and the Confederated Salish and Kootenai Tribes) concluded that:

> "... where organizational goals are complex, emphasizing non-commercial values as well as commercial harvests, then the costs of timber management increase. ... Even more important are the mandates and methods affecting various timber management operations. Agencies that operate within explicit legal and/or administrative directives and undertake formal environmental review and monitoring ... find these activities add substantial costs to their programs for managing timber resources." [12]

Disappearance of the Pipeline: – Pipeline volume represents advanced sale preparation for future years. For a period of time, as the national forest timber sale program became increasingly controversial, the Forest Service was able to maintain its output levels and keep its unit costs relatively low by drawing upon this type of volume. Eventually, however, this cushion began to disappear (See figure 19). As this has happened, the impact of various factors on program costs has become increasingly difficult to avoid.

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[11] General Accounting Office; 1996; *PUBLIC TIMBER--Federal and State Programs Differ Significantly in the Pacific Northwest*; GAO/RCED-96-108; 16 p (See p.2).

[12] Keegan, Charles E. III et al. 1996. "Timber Management Costs: A Comparison Among Major Landowners in Idaho and Montana." *Montana Business Quarterly* Vol. 34, no. 2: 9-14 (See p. 14).

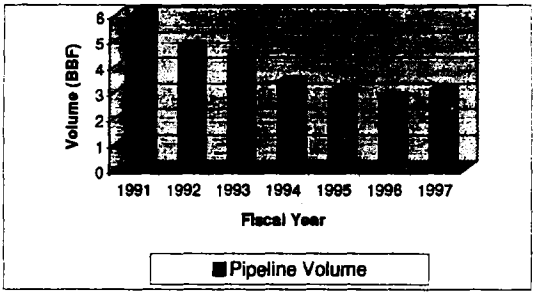

Figure (19) -- Trend in Pipeline Volume.

Shrinking Volume under Contract: -- A key factor in determining the rate at which the "sale activity pool" of TSPIRS is written-off is the "volume under contract." Volume under contract represents the amount of national forest timber purchasers have acquired, but not yet harvested. In recent years, volume under contract has been declining. (See Figure 20) As a consequence, an increasing proportion of the sale activity pool's balance is being expensed each year.

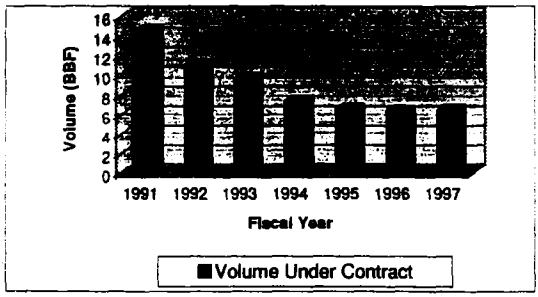

Figure (20) -- Trend in Volume under Contract.

Significance of the Financial Results

This concluding section of the report highlights several points that should be kept in mind when trying to assess the significance of this year's financial results.

Summary of Timber Sale Revenues and Expenses

Region 5

Fiscal Year 1997

(in thousands of dollars, except as noted)

Timber Commodity Program Component

State	National Forest	Revenues	Expenses	Net Rev. /1	MMBF /2 Harvest	Pct. of Total /3
CA	Angeles	0	0	0	0.0	0.0
CA	Cleveland	0	0	0	0.0	0.0
CA	Eldorado	579	900	-321	2.9	11.9
CA	Inyo	86	206	-119	1.1	27.2
CA	Klamath	-31	39	-70	0.0	0.0
CA	Lassen	496	691	-194	4.3	5.2
CA	Los Padres	0	0	0	0.0	0.0
CA	Mendocino	1,759	1,430	329	4.6	41.5
CA	Modoc	1,832	652	1,180	3.5	7.7
CA	Six Rivers	1,392	1,677	-285	7.2	31.6
CA	Plumas	4,817	4,184	632	18.8	43.9
CA	San Bernardino	0	0	0	0.0	0.0
CA	Sequoia	3,461	3,990	-529	13.4	73.2
CA	Shasta Trinity	1,233	988	245	4.1	8.2
CA	Sierra	2,139	1,180	958	4.5	16.9
CA	Stanislaus	2,486	3,637	-1,151	12.4	41.4
CA	Tahoe	2,033	1,563	470	8.0	12.0
CA	Lake Tahoe Basin	0	0	0	0.0	0.0
CA	**State Subtotals**	**22,283**	**21,138**	**1,145**	**84.6**	**17.1**
	Regional Office	0	1,734	-1,734	0.0	0.0
All	**Regional Totals**	**22,283**	**22,872**	**-589**	**84.6**	**17.1**

Forest Stewardship Program Component

State	National Forest	Revenues	Expenses	Net Rev. /1	MMBF /2 Harvest	Pct. of Total /3
CA	Angeles	2	48	-46	0.0	1.1
CA	Cleveland	1	19	-18	0.0	0.0
CA	Eldorado	3,006	5,646	-2,640	18.5	74.7
CA	Inyo	39	95	-56	0.5	12.5
CA	Klamath	8,841	10,111	-1,270	52.8	94.8
CA	Lassen	14,725	8,541	6,184	69.6	83.4
CA	Los Padres	1	27	-26	0.0	12.7
CA	Mendocino	1,183	1,888	-704	5.8	53.2
CA	Modoc	3,609	5,211	-1,601	40.3	89.2
CA	Six Rivers	2,651	3,170	-519	13.4	59.3
CA	Plumas	1,839	4,244	-2,405	19.0	44.3
CA	San Bernardino	26	101	-75	0.5	9.0
CA	Sequoia	50	951	-901	2.7	14.8
CA	Shasta Trinity	9,151	9,596	-445	41.8	84.3
CA	Sierra	3,774	4,373	-599	17.6	66.6
CA	Stanislaus	2,112	3,949	-1,837	13.4	45.0
CA	Tahoe	5,866	8,460	-2,594	41.2	62.2
CA	Lake Tahoe Basin	377	1,383	-1,007	6.8	87.2
CA	**State Subtotals**	**57,255**	**67,813**	**-10,558**	**343.9**	**69.7**
	Regional Office	0	5,622	-5,622	0.0	0.0
All	**Regional Totals**	**57,255**	**73,436**	**-16,181**	**343.9**	**69.7**

/1 The net revenue calculations do not include extraordinary expenses.
/2 MMBF = Millions of board feet.
/3 Harvest in the component comprises this percent of the total program.

Summary of Timber Sale Revenues and Expenses

Region 5

Fiscal Year 1997

(in thousands of dollars, except as noted)

Personal Use Program Component						
State	National Forest	Revenues	Expenses	Net Rev. /1	MMBF /2 Harvest	Pct. of Total /3
CA	Angeles	6	183	-177	0.1	98.9
CA	Cleveland	7	54	-47	0.2	100.0
CA	Eldorado	69	570	-502	3.3	13.4
CA	Inyo	49	220	-171	2.4	60.3
CA	Klamath	34	367	-333	2.9	5.2
CA	Lassen	197	895	-698	9.6	11.5
CA	Los Padres	7	80	-73	0.2	87.3
CA	Mendocino	23	99	-76	0.6	5.3
CA	Modoc	29	132	-103	1.4	3.1
CA	Six Rivers	55	295	-240	2.1	9.1
CA	Plumas	130	654	-524	5.0	11.8
CA	San Bernardino	54	173	-119	4.9	91.0
CA	Sequoia	45	443	-398	2.2	12.0
CA	Shasta Trinity	87	549	-462	3.7	7.5
CA	Sierra	47	589	-541	4.4	16.6
CA	Stanislaus	65	631	-565	4.1	13.6
CA	Tahoe	65	2,040	-1,975	17.1	25.8
CA	Lake Tahoe Basin	39	181	-141	1.0	12.8
CA	State Subtotals	1,008	8,155	-7,147	65.1	13.2
	Regional Office	0	639	-639	0.0	0.0
All	Regional Totals	1,008	8,794	-7,786	65.1	13.2

/1 The net revenue calculations do not include extraordinary expenses.
/2 MMBF = Millions of board feet.
/3 Harvest in the component comprises this percent of the total program.

Summary of Timber Sale Revenues and Expenses

Region 6

Fiscal Year 1997
(in thousands of dollars, except as noted)

Timber Commodity Program Component

State	National Forest	Revenues	Expenses	Net Rev. /1	MMBF /2 Harvest	Pct. of Total /3
OR	Deschutes	6	65	-59	0.2	0.2
OR	Fremont	3,036	2,655	380	17.6	30.2
OR	Malheur	5,273	5,952	-679	18.4	42.2
OR	Mt. Hood	6,266	5,694	573	18.4	38.2
OR	Ochoco	1,535	2,928	-1,393	8.7	37.0
OR	Rogue River	12,850	6,088	6,762	22.5	73.8
OR	Siskiyou	13,669	9,113	4,556	31.9	85.8
OR	Siuslaw	522	492	29	0.5	10.7
OR	Umatilla	2,192	2,082	110	10.6	18.9
OR	Umpqua	26,927	12,653	14,273	51.4	97.7
OR	Wallowa-Whitman	2,593	2,409	184	10.4	22.1
OR	Willamette	25,891	14,382	11,509	54.9	60.3
OR	Winema	1,337	4,365	-3,028	13.0	53.3
OR	**State Subtotals**	**102,097**	**68,879**	**33,218**	**258.4**	**42.3**
WA	Gifford Pinchot	13,993	6,701	7,292	26.9	66.0
WA	Mt. Baker-Snoqualmie	789	4,685	-3,896	6.2	92.1
WA	Okanogan	1,114	1,652	-538	4.2	33.9
WA	Olympic	1,457	2,245	-788	4.0	39.5
WA	Wenatchee	909	1,679	-770	10.0	17.7
WA	Colville	3,486	3,828	-342	13.0	42.7
WA	**State Subtotals**	**21,748**	**20,789**	**959**	**64.2**	**41.8**
	Regional Office /4	0	5,681	-5,681	0.0	0.0
All	**Regional Totals**	**123,844**	**95,349**	**28,495**	**322.6**	**42.8**

/1 The net revenue calculations do not include extraordinary expenses.
/2 MMBF = Millions of board feet.
/3 Harvest in the component comprises this percent of the total program.
/4 Includes Columbia River Gorge unit expenses.

Summary of Timber Sale Revenues and Expenses

Region 6

Fiscal Year 1997

(in thousands of dollars, except as noted)

Forest Stewardship Program Component						
State	National Forest	Revenues	Expenses	Net Rev. /1	MMBF /2 Harvest	Pct. of Total /3
OR	Deschutes	11,711	11,466	245	85.0	90.7
OR	Fremont	6,068	5,872	197	38.7	66.6
OR	Malheur	3,972	7,035	-3,063	22.1	50.6
OR	Mt. Hood	4,347	5,039	-692	15.9	32.9
OR	Ochoco	2,028	3,896	-1,870	12.5	53.7
OR	Rogue River	2,610	2,159	451	7.4	24.1
OR	Siskiyou	2,908	1,313	1,596	4.8	12.9
OR	Siuslaw	1,373	3,389	-2,015	3.6	74.1
OR	Umatilla	6,957	6,947	10	39.0	69.7
OR	Umpqua	212	183	29	0.7	1.4
OR	Wallowa-Whitman	3,836	6,471	-2,635	31.2	66.4
OR	Willamette	15,300	9,495	5,805	35.4	38.9
OR	Winema	2,058	3,701	-1,643	10.7	43.6
OR	State Subtotals	63,382	66,966	-3,584	307.0	50.3
WA	Gifford Pinchot	4,541	2,794	1,747	12.2	29.9
WA	Mt. Baker-Snoqualmie	8	43	-35	0.1	0.9
WA	Okanogan	1,677	2,044	-367	5.8	47.4
WA	Olympic	1,147	2,551	-1,404	5.1	50.5
WA	Wenatchee	2,010	7,618	-5,607	42.6	75.5
WA	Colville	3,222	4,328	-1,106	15.8	52.0
WA	State Subtotals	12,605	19,377	-6,772	81.6	52.1
	Regional Office /4	0	6,474	-6,474	0.0	0.0
All	Regional Totals	75,987	92,818	-16,831	388.6	50.6

/1 The net revenue calculations do not include extraordinary expenses.
/2 MMBF = Millions of board feet.
/3 Harvest in the component comprises this percent of the total program.
/4 Includes Columbia River Gorge unit expenses.

Summary of Timber Sale Revenues and Expenses

Region 6

Fiscal Year 1997
(in thousands of dollars, except as noted)

Personal Use Program Component						
State	National Forest	Revenues	Expenses	Net Rev. /1	MMBF /2 Harvest	Pct. of Total /3
OR	Deschutes	317	973	-656	8.5	9.1
OR	Fremont	26	150	-124	1.9	3.3
OR	Malheur	85	573	-488	3.1	7.2
OR	Mt. Hood	60	2,004	-1,944	14.0	28.9
OR	Ochoco	50	421	-371	2.2	9.3
OR	Rogue River	9	268	-259	0.6	2.1
OR	Siskiyou	17	154	-137	0.5	1.3
OR	Siuslaw	20	299	-279	0.7	15.1
OR	Umatilla	119	772	-653	6.4	11.4
OR	Umpqua	21	80	-59	0.5	0.9
OR	Wallowa-Whitman	70	749	-678	5.4	11.5
OR	Willamette	28	200	-172	0.7	0.7
OR	Winema	23	208	-185	0.8	3.1
OR	**State Subtotals**	**845**	**6,851**	**-6,006**	**45.3**	**7.4**
WA	Gifford Pinchot	33	296	-263	1.7	4.1
WA	Mt. Baker-Snoqualmie	75	105	-30	0.5	7.0
WA	Okanogan	25	686	-661	2.3	18.7
WA	Olympic	17	231	-214	1.0	10.1
WA	Wenatchee	64	439	-375	3.8	6.7
WA	Colville	22	274	-252	1.6	5.3
WA	**State Subtotals**	**236**	**2,031**	**-1,795**	**10.9**	**6.9**
	Regional Office /4	0	767	-767	0.0	0.0
All	**Regional Totals**	**1,081**	**9,649**	**-8,568**	**56.2**	**7.3**

/1 The net revenue calculations do not include extraordinary expenses.
/2 MMBF = Millions of board feet.
/3 Harvest in the component comprises this percent of the total program.
/4 Includes Columbia River Gorge unit expenses.

Mr. STEWART. Just as a re-emphasis of that and what some of the figures in that report show, we began tracking the different purposes of the timber program in 1993. Up until that time, it was just all called the Timber Sale Program. We now categorize the program in three categories—Timber Commodity, Forest Stewardship, and Personal Use. The Timber Commodity Program in 1993 was 71 percent of the entire program. In 1997, it was only 52 percent. At the same time, the forest stewardship component went from—it was 23 percent and now 40 percent. Why that is important is that the stewardship component is a component that is conducted for other purposes than producing commercial timber. For instance, it was mentioned the need for fuels management, and that would be called a stewardship component. There is a need for doing thinning of stands for reducing the probability of attack by bark beetles, as a for instance. The purpose there is not to generate timber commercially, but to carry out a stewardship stand objective.

I will say that the component of the timber program that was classified as timber commodity did return a net profit of a little over $7 million, as I recall.

In addition to the change in the nature of the timber program itself, there was a significant change in the accounting procedures used in the 1997 TSPIRS report, a change that involved——

Mr. HORN. Just for the record, why do you not spell that.

Mr. STEWART. OK, yes, thank you. It is T–S–P–I–R–S and it stands for timber sale program information reporting system.

I also have for your information, if you would like to submit for the record, an excerpt from the 1997 report which reviews a number of the changes that occurred between the 1996 and 1997 report. The report also describes the different financial accounts. The one that everybody focuses on is the first one, which is the financial account, which is just the tracking of the revenues and expenses. But there are two other reports that are generated as part of that, which look at the overall benefits of the Timber Sale Program.

A new factor that has had a major effect on the profitability of our Timber Sales Program in fiscal year 1997 was a change in the accounting procedures applicable to road prism costs. These are costs that are associated with constructing a road's underlying foundation or bed. In the past, the Forest Service used generally accepted accounting principles used by private industry because there was at the time no Federal standard. Under this approach, the road prism was written off—was not written off but permanently capitalized into the land values. The Federal Accounting Standard Advisory Board recently established a new Federal standard that requires that the road prism costs be expensed annually as a timber program cost. This one change resulted in an increased cost over what would have been reported previously by $51.4 million.

Mr. HORN. Give me an example that pre this decision on how to account for it, and now. What changed?

Mr. STEWART. What changed? I believe there is a fairly good explanation in this report, but as I understand——

Mr. HORN. Just a simple example.

Mr. STEWART [continuing]. As I understand it as a forester, in the past, the road was considered to be a long-term investment. In other words, as long as you maintained it, it was there for as long as you needed the road and would be used for multiple purposes, including additional timber sales that would be brought over that, for recreational purposes, for all the purposes that a road might be used. Therefore, it was not considered as a cost to the timber program.

The new accounting standard makes it a cost and not one that is written off or amortized over some period of time, but is written off in the year that the cost is incurred. So it is written off in 1 year against that particular timber sale that created the road.

Mr. HORN. So all of the costs of creating that road get put into a debit from the timber sale in that year, is that it?

Mr. STEWART. That is my understanding, yes.

Mr. HORN. That is it, there is no amortization or anything else.

Mr. STEWART. That is my understanding.

Mr. HORN. And there is no, shall we say, baker's dozen billing, sent to 13 different accounts as a cost.

Mr. STEWART. No. I do not believe, for instance, it benefits—in the financial account, that the benefits are apportioned between the other uses of that road.

Mr. HORN. Well the benefits are apportioned in the financial accounts?

Mr. STEWART. As I said, there are several financial analyses done in TSPIRS report. The straight revenues and expenses one is called the financial account. That is where this one shows up and that is where the $88.6 million loss occurs.

Mr. HORN. Because of the time of day or something, I might be missing something, so I want to be very clear. The road cost, let us say, is $100,000 to put in a quarter of a mile of road. And if there is a timber sale in that fiscal year, that would be put in and this cost of the road would be deducted from the timber sale, or at least noted as——

Mr. STEWART. If the road was built to access a timber sale——

Mr. HORN. Right.

Mr. STEWART [continuing]. It would be costed against that timber sale. It would not be amortized even though that road will have a life beyond the timber sale——

Mr. HORN. Right.

Mr. STEWART [continuing]. And could be used for other purposes besides—access for recreation, access for fire management and so forth.

Mr. HORN. OK, now that I understood. But then I thought I heard that they also will give some of the cost of that road to how much we had in recreation.

Mr. STEWART. No, in the TSPIRS, one of the accounts, the one that shows the $88.6 million, it is strictly the expenses and revenues of the timber program, there is a separate analysis which looks at the overall benefits of the timber program, which go beyond just the—for instance, wildlife habitat improvement, and tries to put a value on those kinds of things. In that one, you might be able to show the other benefits of the road prism.

Mr. HORN. But is that just for interest or is that a regular thing that is kept up and the same criteria applied to it?

Mr. STEWART. Well, my assumption is is that the standard that has been established now will be used from this point on until somebody changes it. Again, we did not have that standard up until this—1997.

Mr. HORN. OK, but under the standard, we are very clear then on what is happening and if somebody wants to do an interesting thing of gee, here is what recreation costs or here is what weeds cost and so forth, they could do that, but it really is not relevant to how we are going to appropriate money or authorize money or expect and listen to the argument one way or the other on what is a timber sale—does it give a profit, does it not give a profit. But I just want to make sure that we also are not getting over into worrying about seven people recreating on that road and then putting a fiscal figure in as a plug or whatever.

Mr. STEWART. Not in the financial account, no.

Mr. HORN. OK.

Mr. STEWART. The other thing I would like to say about the timber program is—and this was mentioned earlier, and that is that our experience suggests that because of the revenue generated, that timber sales, even some of those that are below cost, are oftentimes the least net cost means for achieving many of our land stewardship goals. As we indicated, if you have an opportunity to—if you have to do an understory thinning for fuels management and you were to just cut the trees and leave them versus do it with a timber sale where there would be some value generated, not only to the Forest Service to offset some of the cost, but presumably economic benefits within the community due to economic activity from the utilization of that material. That even though the overall program might be below cost, on a net cost basis, it would be less, and that is one of the analyses that they perform before doing an activity, is to determine is in fact that the timber sale is the least net cost way of getting the job done, whether it is for a commercial timber harvest or for a stewardship purpose.

Finally, let me just quickly summarize. It is very apparent from what everybody said that the Forest Service programs are very complex. We certainly know that we have got a very large job ahead of us to correct our business management systems and to become more accountable for our actions.

We have been working with and we will continue to work with the General Accounting Office, the Office of the Chief Financial Officer, and the Office of the Inspector General. I was pleased to see that he made it clear that we had been working with him to try and get things fixed. We appreciate and welcome the oversight of Congress through hearings such as the one you are holding today and the one that you held earlier this week.

I know that we do share a desire, despite the fact of what you heard, we share a desire to provide better service to the public at less cost. I believe we also share in a sense of our mission, which is caring for the land while we serve people.

I would now like to have the two forest supervisors discuss these issues from their local viewpoint and then of course all of us would be glad to answer any of your questions. Thank you.

Mr. HORN. Well, I know you also have a plane schedule.

Mr. STEWART. I will stay as long as I possibly can.

Mr. HORN. All right. So gentlemen, let us hear about your particular forests. You have listened to a lot of this testimony very patiently. Feel free to give any thoughts on what you have heard, whether you agree with it or do not agree with it. We are just interested in what the practicing professionals think about these things, right down there at the grassroots. You are the ones on the firing line, you are the ones directly helping people.

So, Mr. Gehr, would you like to proceed?

[The prepared statement of Mr. Stewart follows:]

STATEMENT OF

RONALD E. STEWART, DEPUTY CHIEF
PROGRAMS AND LEGISLATION
FOREST SERVICE
UNITED STATES DEPARTMENT OF AGRICULTURE

before the
Committee on Government Reform and Oversight
Subcommittee on Government Management, Information, and Technology
United States House of Representatives
concerning

Management Practices on the Angeles, Wenatchee, and Okanogan National Forests

Bellflower, California
July 7, 1998

Wenatchee, Washington
July 9, 1998

MR. CHAIRMAN AND MEMBERS OF THE SUBCOMMITTEE:

Thank you for the opportunity to be here to discuss management practices of the Forest Service on the Angeles, Wenatchee, and Okanogan National Forests (NFs). I am accompanied by Michael J. Rogers, Forest Supervisor on the Angeles NF, Sonny O'Neal, Forest Supervisor on the Wenatchee NF, and Samuel Gehr, Forest Supervisor on the Okanogan NF.

The focus of this hearing is to discuss issues related to financial management, the Knutson-Vandenberg (K-V) Fund, recreation and the recreation fee demonstration program, and below cost timber sales. I view this hearing as a good opportunity to share with you the steps that this agency has taken to address these particular programs and activities and to explain how particular systems work. Mr. Chairman, I believe we share the common view of maximizing the public benefits of each dollar that this agency spends for land management, research, private land assistance, and other Forest Service authority. I will begin with a brief overview of the agency

and provide a national perspective on these issues, followed by a local view from the Forest Supervisor(s), and then we will respond to your questions.

Overview

The Forest Service consists of basically three components: the National Forest System, where we manage more than 191 million acres of public lands in the United States, Research, where we conduct studies and provide scientific information related to forest resources, and State and Private Forestry, where we provide information and technical and financial cost-sharing assistance to help assure sound stewardship and use of the vast state and private forest lands of the United States. Caring for the land and serving people is our motto and the foundation of everything we do.

The National Forest System lands are managed in accordance with the Multiple-Use Sustained Yield Act of 1960 (MUSYA), the Forest and Rangeland Renewable Resources Planning Act of 1974 (RPA), and the National Forest Management Act of 1976 (NFMA), among others. Forest Service programs operate under additional environmental laws that were enacted to protect specific natural resources, including the Endangered Species Act, the Clean Water Act, the Clean Air Act, and other laws such as the National Environmental Policy Act (NEPA). We fully support and remain committed to the full implementation of these laws, which define the nation's environmental policies.

With over 28,000 full-time employees, peaking to over 43,000 with our summer seasonal employees, the Forest Service's job is quite complex. We often find ourselves caught in the midst of social changes, shifting priorities, and political crosscurrents. It is critical that we have sound business practices to ensure that the monetary and human resources which are entrusted to us are used in a manner that not only supports the agency's mission, but does so in a way that is efficient, productive, and cost effective.

Recreation and the Recreational Fee Demonstration Program

Every year, almost 95 percent of all Americans engage in some sort of outdoor recreation. As the largest single supplier of public outdoor recreation, the National Forest System hosted over 850 million visits to its national forests and grasslands in fiscal year 1997 and trends indicate that use of the National Forest System will continue to grow. People are drawn to the national forests because of their varied recreational opportunities. Demands for recreation opportunities are becoming increasingly complex. Forest visitors are not only increasing in numbers but consist of individuals from varied ethnic, social, and economic backgrounds. To meet this demand and protect America's recreation resources, we need more specialized resources to provide the quality experiences our visitors expect. Our fiscal year 1999 recreation budget requests have increased along with the recreation demand by the public. However, past appropriations have generally remained static. We must meet our recreation objectives through creative and innovative approaches. An example of this type of approach is the Recreational Fee Demonstration Program (RFDP).

Congress authorized the landmark RFDP in fiscal year 1996 through enactment of the Omnibus Consolidated Appropriations Act for fiscal year 1996. The RFDP authorized the USDA Forest Service, and the National Park Service, U.S. Fish and Wildlife Service, and the Bureau of Land Management of the Department of the Interior to test the collection, retention, and reinvestment of new recreation admission and user fees on up to 100 projects in each agency. Before the RFDP, the Forest Service was limited to charging recreation use fees at a limited number of sites and could not retain collections for use at sites or elsewhere in the National Forest System. This new authority was a major positive development, and an exciting, departure from historical practice. Initially, the RFDP authority allowed agencies to retain all of the new fees in excess of a fiscal year 1995 base figure, with 80 percent of the retained fees to be used at the sites where they were collected, and 20 percent to be distributed nationally to any site under the jurisdiction of the collecting agency. However, the fiscal year 1998 Interior and Related Agencies Appropriations Act allowed the agencies to retain all recreation fee revenues from the fee demonstration projects, not just the revenues in excess of the fiscal year 1995 collections, greatly

increasing our ability to improve recreational sites and services. The demonstration authority expires at the end of fiscal year 1999, with receipts being available to complete projects through September 30, 2002.

The Forest Service began to implement the RFDP aggressively in June, 1996, as indicated in the interagency report provided to Congress in January 31, 1998. At the end of fiscal year 1997, with 40 projects collecting funds, receipts from the RFDP grossed well over $8 million. An additional 52 projects will begin collections later in fiscal years 1998 and 1999. Projects are being tested in 28 states in all regions of the country, including Puerto Rico.

From fiscal year 1994 to fiscal year 1998 the agency's recreation budget averaged $217 million annually, but total annual needs for operation, maintenance, backlog reductions, and capital investments were much higher, as they are today. In fiscal year 1997, the recreational fee demonstration program provided a much needed $8.7 million to address critical resource needs and enhance customer services. We expect the fees collected to increase significantly this year, to nearly $20 million.

For these reasons, the Forest Service strongly supports the recreation fee demonstration program (RFDP), an essential part of meeting the increased demand for quality recreation facilities and services to the public. It is critically important that base-level appropriations funding continue in conjunction with the RFDP so the Forest Service can demonstrate a clear added value to the public for the fees that they pay.

Based on survey results, overall, the public accepts the fees as long as most of the money goes back to improve the area they are paying for. Of course, some people very much dislike paying. Acceptance is increasing over time as people become more aware of the program and adjust to paying the new fees. They are also beginning to see positive results as the fees are being spent on local projects.

Mr. Chairman, I strongly believe that long-term implementation of the RFDP is necessary to keep up with the rapidly increasing demands placed on federal recreation facilities. We have had many successes, and we will see many more as we complete our second year of this important program. We continue to listen and discover ways to improve the program. We will continue to evaluate results during the testing period, and share what we have learned with you and the American public.

Financial Management

Mr. Chairman, you have heard of some of the problems we face with our financial management systems in the Forest Service. In fact, the Chief testified before a joint committee hearing on March 26, 1998, to address specifically financial management and accountability in the agency and what measures we were taking to correct some of the problems. These concerns are taken seriously and action has been taken to address them. Let me share what we have done and are in the process of doing to address these concerns.

1) We are implementing a major restructuring of the business operations of the Forest Service. We have a Chief Operating Officer who is responsible for the financial and operational health of the agency and an Associate Chief for Natural Resources who will be responsible for the health of the land. We will also hire a Chief Financial Officer to focus on all financial affairs of the agency.

2) As part of the Administration 's Reinvention Initiative, the Forest Service has reduced its workforce by 15%, which includes a higher reduction in the Washington office, consolidated administrative offices at the supervisor and the district ranger levels, developed public-private partnerships to deliver agency services for less money, and established customer service standards. One specific example is reducing overhead costs by moving our public information office from downtown Seattle to the Recreational

Equipment Incorporated Building, which the Vice President recognized with a Golden Hammer Award, for our partnership with the private sector.

3) The Chief announced a Natural Resource Agenda for the 21st Century that will be implemented with land-based performance measures. We intend to develop a structure so that employees will be held accountable for the actual accomplishments and measurable results in the field. Combined with other financial reforms, we will have a better understanding of how much it costs to achieve certain results.

4) We are developing a GPRA strategic plan. The plan will follow the principle and goals described in the Natural Resource Agenda. We are also initiating expanding our forest health survey and monitoring work to cover all aspects of ecosystem health and integrity. In this manner, the cost effectiveness and progress towards achieving environmental goals can be better evaluated.

5) We are implementing an integrated accounting system, Foundation Financial Information System (FFIS), which will enable policy makers and supervisors to quickly find and understand the costs associated with specific activities. FFIS will ultimately reduce the amount of time Forest Service employees spend entering and interpreting data, and increase the amount of time they spend making and implementing sound resource decisions.

6) We have issued a desk guide for financial management to inform Forest Service employees throughout the entire field structure of methods to record and organize information. We intend to update this desk guide as our new systems develop. The primary benefit today is national consistency so that we will have a better data base from which to make decisions.

7) We intend to recruit a limited number of highly qualified management personnel with expertise in modern financial management practices and structures who will complement the excellent resource management skills of the agency. We need to replenish the shortage of skilled financial managers in the agency caused by the downsizing effort. We do not intend to maintain a larger workforce, and thus higher overhead, in the long-term.

8) We have established a business team to review our budget and accounting activities and to recommend how we can simplify and improve our business systems. This group of employees from across the agency will focus on simplicity, timely and accurate financial information, accountability between expenditures and benefits, and public service. One of the team 's objectives is to develop a consistent definition of overhead. Our goal is to increase the precision, clarity, and comprehensibility of Forest Service budget and accounting data to generate increased trust among the users and the public.

These changes represent some of the ideas and recommendations in the Coopers and Lybrand report which the Chief commissioned last year, and respond to some of the concerns raised by the General Accounting Office (GAO). We are open to other ideas, too, and including those from the Committee that will improve efficiency and public service.

Our goal is to bring dramatically improved accountability to the Forest Service. We can assure you that we will continue to work with the GAO and with Congress to improve our business operations and to be more accountable for the resources we manage.

Cooperative Work Knutson-Vandenburg Fund

The K-V fund, authorized by the Act of June 9, 1930, is a trust fund that uses deposits made by timber purchasers to reforest timber sale areas. In addition to planting, these deposits may also be used for eliminating unwanted vegetation on lands cut over by the purchaser and for protecting and improving the future productivity of the renewable resources on forest land in the sale areas, including sale area improvement operations, maintenance, construction, reforestation,

and wildlife habitat management. The K-V Act explicitly authorizes the Secretary of Agriculture to collect deposits to cover the cost to the United States of these types of activities.

In response to a 1996 General Accounting Office (GAO) audit, the Forest Service assembled a task force for the purpose of finding ways to better limit K-V expenditures for indirect costs to the amounts collected for this purpose and to achieve better consistency and standardization of indirect cost. The task force issued its final report last November with an action plan implementing nine actions. Let me highlight several actions which I believe will help us strengthen our business operations in these areas. We are now:

- instituting standard national definitions for indirect costs for use throughout the Forest Service;

- clarifying our procedures for the calculation of equitable indirect charges and instituting these procedures throughout the Agency;

- strengthening the linkage between our K-V work planning using the Sale Area Improvement Plan and our budget planning process so that we achieve a more direct tie between the SAI Plan and our K-V program of work; and

- improving our oversight procedures and expanding the participation of our review teams to ensure that the business functions are better represented in our management reviews.

We have been challenged in court on the legality of K-V assessments for overhead costs. On June 3, 1998, we filed in the United States District Court in San Francisco, CA, a motion for summary judgement in which we contend, that "...the Forest Service may use K-V funds to pay for the program's indirect costs for three reasons. First, the necessary expense doctrine, a basic principle of appropriation law, authorizes the challenged expenditure. Second, the Forest Service's longstanding use of K-V funds for indirect costs has been expressly ratified by Congress's fiscal review agent, the Comptroller General, and implicitly accepted by Congress itself. Third, appropriations law upholds the agency's discretion to

choose between arguably available funding choices where as here the agency has consistently adhered to its choice."

The implementation of K-V projects on the ground involves the same kinds of people and resources that we need to implement projects using appropriated funding sources. We need computers to plan the programs and keep track of the K-V project activities. We need decision makers to determine which K-V projects should be the highest priority for funding when K-V funds are scarce. We need our business management experts to determine the financial health of the K-V fund and develop an orderly K-V program of work. All of these people need office space to do their work in. So, our policy simply says that the trust funds, like K-V, should pay their equitable share of these costs applying the same principles that we use to determine equities for discretionary programs.

We cannot eliminate these costs, as they are a real and necessary part of getting the job done. But, we firmly intend to make material improvements in our business procedures and to be accountable so that the Administration and Congress can together decide how the Forest Service can maximaze public benefits on the national forests. We are reviewing different budget structures, including different treatments of overhead costs.

Below-Cost Timber Sales

National Forest timber sales have always served multiple purposes. Timber sales helped build homes and railroads for a young growing nation, and helped pay for forest rangers who were taking care of vast remote stretches of forests and rangelands.

Today, Americans place a higher priority on sustainability and environmental protection. The Forest Service's objective is the protection and restoration of the health of the land. You can't measure the value of stewardship strictly in dollars and cents. Resource stewardship costs on the national forests are frequently borne by the forest management program.

In the early 1980's the issue of below-cost timber sales began to emerge as a concern to the public because it appeared that revenues generated by individual timber sales on many national forests did not cover the costs of their preparation and administration. Some members of the public and some Members of Congress at the time believed that the timber sale program needed to pay for itself. In the conference committee report that accompanied the fiscal year 1985 interior appropriations act, the Forest Service was directed to develop a "reasonable but complete system...that should allow for identification of the costs of the timber sale program, by component, and allow for a comparison of actual costs and benefits." The Forest Service worked with the General Accounting Office (GAO) to expand the Forest Service accounting system and create the timber sale reporting information reporting system (TSPIRS). GAO found, in 1990, that the system had been developed, and was being implemented, as intended by Congress. This system measures the cost for land management and harvest associated with timber sales. It does not measure efficiency, and it does not measure subsidies.

This year's TSPIRS report shows that essentially half of the timber sale program was targeted at accomplishing various land stewardship objectives and not at producing wood fiber except as a by-product. While people have different perspectives and opinions about how the Forest Services applies land stewardship on the ground, there is general support for reducing wildfire impacts, restoring old growth characteristics, protecting native species diversity, and managing pests as best we can. We are paying for these treatments from wildlife, watershed, or vegetation management funds, but in many cases, this work is getting done by using timber sales. Our experience suggests that because of the revenues they generate, timber sales, even some that may be below-cost, are oftentimes the "least net cost" -- cost incurred compared to revenues received -- means of attaining many of our land stewardship goals.

In FY 1997, 4.0 billion board feet (BBF) of national forest timber was offered, 3.7 BBF was sold, and 3.3 BBF was harvested. These offered, sold, and cut volumes are similar to the 1996 program. Of the total volume harvested in FY 1997, 52 percent was for timber commodity purposes, 40 percent for forest stewardship, and 8 percent for personal use. In FY 1993, when

TSPIRS first began to recognize the different categories of sales, 71 percent of harvest volume was for timber commodity, 23 percent for forest stewardship, and 5 percent for personal use. These numbers reflect changing trends in the timber sale program that I described earlier.

A new factor that has had a major effect on the profitability of our timber sale program in FY 1997 was a change in accounting procedures applicable to "road prism" costs. These are costs that are associated with constructing a road's underlying foundation, or "bed." In the past, because the Federal Government did not have an accounting standard that addressed how these costs should be treated, "generally accepted accounting principles" (GAAP) used by the private sector were applied. Consistent with these principles, road prism costs were not written-off, but were permanently capitalized into land values. Recently, however, the Federal Accounting Standards Advisory Board (FASAB), who develops generally accepted accounting principles for Federal agencies, put forth a broad array of new accounting standards, one of which pertains to the treatment of road prism. This new standard provides that instead of being permanently capitalized, these costs should be annually expensed. Beginning in FY 1997, TSPIRS financial statements recognized road prism costs as an annual timber program cost. In FY 1997, these costs alone totalled $51.4 million.

Overall, our forest management program lost $88.6 million last year. By comparison, the FY 1996 loss was $14.7 million. We feel strongly, however, that the true measure of our forest management program is not simply the volume of timber taken from the land, but also the health of the forest left behind. This suggests a strict/profit loss statement is not a true reflection of the program's value. National Forest timber sales provide many benefits beyond the revenues they generate. These additional benefits are economic, ecological, and social in nature. Illustrative of the economic and social benefits are the jobs created, the regional income produced, and more stable rural communities. Illustrative of the ecological benefits are healthier amd more fire-resistant forest stands, and ecosystems that are sustainable because they are maintained within their historic range of variability.

Closing

As we previously stated, our programs are quite complex and we know that we have a lot of work to do to correct business systems and to be more accountable to the public for our actions. We continue to adhere to the recommendations of the General Accounting Office to improve our operations. We appreciate the oversight of Congress through hearings such as this one today to allow us the opportunity to share what we are doing and to also hear from those who might not be pleased with how we conduct business. We will make every effort to carry out our mission of caring for the land and serving people.

After you have heard from the Forest Supervisor(s), we will take your questions.

Mr. GEHR. Thank you, Mr. Chairman, Congressman Hastings, it is good to have you both here, and it is my pleasure to share with you.

The focus of this hearing is to discuss issues relative to financial management, the Knutson-Vandenberg Fund and the Recreation Fee Demonstration Program and below-cost timber sales. I will briefly address these issues as they relate to the Okanogan National Forest.

I would like to begin with a real brief overview of the Okanogan National Forest that is located in north central Washington, approximately 1.7 million acres, of which about 635,000 acres is in wilderness and another 450,000 acres in roadless. The vast majority of the Okanogan is within Okanogan County, which is a very rural county, lovingly referred to by some as the outback of Washington State.

Mr. HORN. How many people live in the county?

Mr. GEHR. There are about 35,000 roughly.

Mr. HORN. That is about the kind of county I lived in and grew up in and still have a place there, 40,000, 60 miles long.

Mr. GEHR. We have a total of two stop lights, red lights.

Mr. HORN. I think we have got three.

Mr. GEHR. British Columbia borders to the north, the Cascade crest to the west, our neighbors to the south here in the Wenatchee National Forest and the Colville National Forest to the east.

An interesting array of geographic and climatic conditions across the forest, ranging from near desert conditions in the Okanogan Valley where we have a rainfall that approximates 10 inches at 1,500 feet elevation, to alpine settings west of the Methow Valley where snowfall accumulations can exceed 10 feet in the Cascade Range at the 6,000–9,000 elevation range. The Okanogan is one of the most picturesque of the Nation's 154 national forests.

Our forest headquarters is located in Okanogan, we have districts located and headquartered in Twisp and Tonasket, and we also house the North Cascade Smokejumper Base over in the Winthrop area.

The recreation program on the national forest, we have visitors that encounter a wide variety of recreational opportunities, the clear skies that we are blessed with and the abundant sunshine attracts visitors from the Washington coast, from Canada, neighboring cities and we have the local residents as well that enjoy our beautiful setting.

In fiscal year 1998, the Okanogan received in recreation funds a total of $690,000 and we also received $145,000 in wilderness funds. Again, both these figures in fiscal 1998.

In 1997, portions of the forest were designated and included in the pilot program here in the Recreation Fee Demonstration Program that we have been hearing a lot about today. We structured that in our forest to include the national forest lands west of the Okanogan River which basically included the entire Methow Valley ranger district and the west half of our Tonasket ranger district.

In fiscal 1998, the total revenues on the national forest resulted from overnight parking pass as well as the national forest Pacific Northwest Region trail park pass. Our projection there is we will be having about $180,000 of revenue generated in fiscal 1998. That

total is an increase from our first year, last year in 1997, which totaled $93,900 and was strictly at that time an overnight pass, so we have expanded a bit.

The revenue is going to be used for improvements such as restrooms, parking areas, garbage collection stations, and we are also using the funds for maintenance of existing trailheads, improving trails and recreation areas in general. I might add that I have got five pages here which gives a brief overview of the specifics of our program as well as a chronology of where our funds are going to be invested on the ground, so I would like to give you that.

Mr. HORN. Excellent. Without objection, it will be put at this point in the record.

[The information referred to follows:]

Recreational Fee Demonstration Program
Okanogan National Forest 1998

The Forest Service, along with several other federal agencies, is participating in a four year Recreational Fee Demonstration Program, authorized by Congress in 1996. The purpose of this program is to test the effectiveness of collecting fees to help maintain federal recreation facilities and enhance visitor services and wildlife habitat.

In the Okanogan National Forest, from April 15 through November 15, a recreation fee is being charged for overnight parking (10 PM to 6 AM) on National Forest System lands west of the Okanogan River. *There is no charge for day use.* At trail heads, either an *Okanogan Pass* or a *Trail Park Pass* can be used. Anywhere else within the project area, an *Okanogan Pass* is required.

Fees for the *Okanogan Pass* are $25 for a Season Pass, $10 for a 3 Night Pass, or $5 for a 1 Night Pass. The season pass is valid for two vehicles registered to the same owner, but may be used on only one vehicle at a time. The *Okanogan Pass* can be purchased from any Okanogan National Forest office or a number of businesses in the Okanogan and Methow Valleys.

Fees for the *Trail Park Pass* are $25 for a Season Pass and $3 for a 1 Day Pass. *Trail Park Passes* can be purchased at Okanogan National Forest offices.

Persons 62 and over may purchase an *Okanogan Pass* at half price by showing proof of age. Persons with Golden Access or Golden Age cards may purchase *Okanogan Passes* and *Trail Park Passes* at half price.

Where Do the Fees Go? Under the Recreational Fee Demonstration Program, 80 percent of the fees collected at each demonstration project will be available for use on that project. That means, 80 percent of the fees collected for *Okanogan Passes* will remain on the Okanogan. Eighty percent of the fees collected for *Trail Park Passes* will be distributed to the Mount Baker-Snoqualmie, Olympic, Wenatchee, and Okanogan National Forests based on a formula that takes into consideration the number of trail miles and trailheads in the program, the total number of visits, and more. Fees collected under the program may be used only for repair and maintenance, interpretation, signage, habitat or facility enhancement, resource conservation, and law enforcement related to visitor services.

Fifteen percent of the fees will be used by the forests to administer the recreation fee demonstration program, and 5 percent will be used within the Pacific Northwest Region (Oregon and Washington) to cover regional program costs.

If you have questions or comments about the Recreational Fee Demonstration Program, please contact any Okanogan National Forest office.

Okanogan National Forest Headquarters
Rec. Fee Demo. Program
1240 South Second Avenue
Okanogan, WA 98840
509-826-3275
509-826-3765 (TTY)

Methow Valley Ranger Station
Rec. Fee Demo. Program
PO Box 579
Winthrop, WA 98862
509-996-4000
509-996-4036 (TTY)
fsinfo@methow.com

Tonasket Ranger Station
Rec. Fee Demo. Program
1 West Winesap
Tonasket, WA 98855
509-486-2186
509-486-5144 (TTY)

Revised April 21, 1998

1998 OKANOGAN PASS VENDORS

In addition to Okanogan National Forest Offices in Okanogan, Tonasket, Winthrop and Twisp, the following vendors also have Okanogan Recreation Passes.

Okanogan Valley

Oroville
  Ben Prince's

Loomis
  Loomis Grocery

Tonasket
  Junction Mini-Mart

Conconully
  Hurb's Market

Omak
  Texaco

Okanogan
  The Bike Shop

Brewster
  Texaco

Methow Valley

Mazama
  Jack's Hut (Freestone Inn)
  Mazama Mountaineering

Winthrop
  Pardner's Mini-Mart
  Winthrop Mountain Sports

Twisp
  Hank's Market
  Train Station Mini-Mart

Other Eastern Washington Vendors

U.S. Forest Service offices in;
  Chelan
  Wenatchee

Western Washington Vendors

National Park Service offices in;
  Marblemount
  Newhalem
  Sedro Woolley

6/19/98

ACCOMPLISHMENTS FROM REC FEE DEMO REVENUES - 98 SUMMARY

Based on actual Calandar Year 1997 and projected Calendar Year 1998 revenue from the sale of Okanogan and Regional Trail Park Passes, the following projects are planned for accomplishment in 1998:

Project	Project Total
1. Winthrop VIC Expanded Hours	$ 3,000
2. Volunteer/Host Support	$ 5,000
3. Developed Site Maintenance	$ 36,000
4. Trail Maintenance	$ 50,000
5. Developed Site Improvements	$ 39,000
6. 8 Mile Water System	$ 5,000
7. Andrews Creek Trailhead	$ 12,000
TOTAL	$150,000

6/19/98

ACCOMPLISHMENTS FROM REC FEE DEMO REVENUES - 98 DETAILED

Project	Project Detail
1. Winthrop VIC Expanded Hours	2 employees an additional 20 days each.
2. Volunteer/Host Support	Volunteers for Hart's Pass, NCSH and North Fork Salmon Creek.
3. Developed Site Maintenance	MV employee for 40 days. TON employee for 55 days. JTPA leader and support. Lakeland Village agreement support. MV rec supplies. MV Toilet pumping. Conconully trash Pickup. Water system handpump parts. Homepage software update.
4. Trail Maintenance	TON employee for 70 days. Additional brushing and tread work on 20 miles of trail (Windy Ck, Clutch Ck, Clark Ridge). Spring log out, drainage and tread on approximately 120 miles of trail (Chewuch River, Tungsten, Boundary-Tungsten to Chewuch, Peepsight, Ram Ck, Fire Ck, Upper and Lower Eagle Lakes, Martin Lk, Lookout Mtn, Foggy Dew, Lightning Ck, Blue Buck, Beaver Lk, Bear Mt, Reynolds Ck, Copper Pass, Slate Lk, Navarre Way). Rock Ck avalanche repair. South Ck and Copper Pass brushing. Fall drainage and tread on approximately 150 miles of main trail. Brushing on 11 miles of Castle Pass and Devils Ridge Trails.
5. Developed Site Improvements	If get IAC grant, will match with $20,000 of Rec Fee revenue to replace existing toilets with concrete toilets at Rainy Pass, Harts Pass, Gilbert and CHewuch Trailheads. Install 4 new accessible tables and grills at Salmon Meadows CG. MV specifics on table, grill and barrier replacement not yet determined.

Project	Project Detail
6. 8 Mile Water System	Recondition to potable water standards to serve as water source for Chewuch and 8 Mile drainages.
7. Andrews Creek Trailhead	Install new concrete toilet.

Mr. HORN. That includes where you plan to utilize the $180,000 for this fiscal year and the $93,000 for the previous fiscal year?

Mr. GEHR. Yes, sir, that will be included. There is also a listing of what the costs are and where people can pick up passes. So it is pretty much a concise packet here.

Mr. HORN. On this point, just to clarify the record, when you have these passes paid for, for your forest, is that true of all forests or just some of them?

Mr. GEHR. OK, there is some of both, and let me just quickly share that with you.

Mr. HORN. Well, I was just curious on that basic mechanic. How many forests roughly, Mr. Stewart, do you have the parking fees or whatever in? The $180,000 was primarily parking fees, and there was a recreational trail parking fee I believe also that made up that figure.

Mr. STEWART. I would have to get you a specific breakdown. The idea was to test a number of different opportunities. That is why you see so much difference. When we were in southern California, we found that all of those southern California forests were in one experiment. I believe the region here was one experiment and they offered optionally to have several forests in the region try it.

Mr. HORN. Are we talking about a couple of dozen out of what, 5,000—I mean, 500 or so?

Mr. STEWART. There are 155 administrative units in the national forest system and only 100 demonstration projects. They all look at different kinds of fee structures, but I would be glad to get a breakdown of what is in there.

Mr. HORN. Let me just ask, would the parking permit that you give, is that a time period? What is the longest, 1 year?

Mr. GEHR. Let me clarify a bit. Last year, we had strictly an overnight parking situation. This year we have that in addition to a regional trail pass, a trail park pass.

Mr. HORN. I just wondered, when you pay for a pass for yours, does that apply to all national forests?

Mr. GEHR. In the trail park pass, yes, it does, it is reciprocal as far as that is concerned.

Mr. HORN. I see.

Mr. GEHR. In other words, a person who has a trail park pass, if they received it in the Wenatchee and would come up and be utilizing that in the Okanogan, we would honor that.

Mr. HORN. And is that the same cost in any of these jurisdictions where it is being tried out, is there a flat fee?

Mr. GEHR. The fee that we have there is for our overnight seasonal pass, is $25, it is $10 for a 3-night pass or $5 for a 1-night pass. The trail park pass is $25 for a season pass and $3 for a 1-day pass. And I think that $25 and $3 is consistent with trail parks across the region.

Mr. HORN. Is a season equal to a year?

Mr. GEHR. It is. In our case, we are talking about the fee season being from April 15th through November 15th for the Okanogan National Forest.

Mr. HORN. OK. Go ahead.

Mr. GEHR. We have made a strong effort to design and select projects that are visible and certainly that benefit the public and

yes, there are concerns, I believe that where the public sees the direct services and the results of the Recreation Fee Demonstration Program, there is a general support. We do continue to offer a program that does allow individuals to carry forth volunteer work and thereby earning a recreation fee pass. So for people that do that, and we have quite a number that have, they do it through volunteer work and earn a pass.

The dollars collected from the Recreation Fee Demonstration Program are used in conjunction with appropriated dollars to help the forest accomplish needed work in addition to the funding—the regularly funded program. And we have—you heard this earlier and I would like to strongly reiterate it. We have heard very clearly from those who have said they resisted from the very start as well as those who might not be quite clear on what it is, there is very uniform agreement I think that if this is a situation, including those that presently suggest they support it, where the revenues generated are then offset with a decrease in the appropriation dollars, there would not be support at all. That has been very clear and very consistent from across the board from those that we have heard from.

In financial management, I would acknowledge it has been clearly articulated and we have experienced the challenges with implementation of the FFIS that we have heard much about already today. I am pleased to be participating in the effort to help get that all squared up. During the past year, we have been doing considerable efforts on the forest in implementing the national financial management action plan. We have also identified and corrected known deficiencies that we have got there and in accounting data. We have been actively participating in FFIS in the training efforts and we are working toward completion of asset inventories and the valuation. We are very much committed on the forest in the effort of improving the reliability of financial data.

The cooperative work associated with the Knutson-Vandenberg Fund, the stumpage receipts on the Okanogan National Forest have declined significantly over the last half decade and they are going to be continuing in that vein, there is no question in our minds, as we size up the reality of the situation. This reduction is a reflection—and I do not want to be overly simplistic on this but it reflects reduced harvest levels, stumpage values that have been reduced is another contributor there, and we also have increase in sale planning and preparation costs that have been very evident to us.

During the past 2 years, we have performed very thorough reviews throughout our sale program and our trust fund cash balances including K–V in an effort to improve the overall management and deal with the realities that are before us in presenting a very different situation than was the case as recently as just a few years ago.

I might mention as far as the K–V funds and how they are utilized, a quick listing here. We invest there to assure reforestation both natural regeneration as well as some planting. It results in improved growth and health of young timber stands by virtue of timber stand improvement projects, improvements for wildlife habitat, conducting watershed work across the landscape, and pro-

tecting and improving the future productivity of the renewable resources that are out there.

On the below-cost timber sale front, last year, the Okanogan National Forest had a harvest of 12.3 million board feet from across about 2,650 acres. This timber was harvested not solely from sales that were sold just in fiscal 1997, but that represented harvest from previous—sales in other years that were still under contract. That harvest of 12.3 million feet does represent a decrease from the total of the previous year which was 23.5 million feet that was harvested in fiscal 1996. So there was a significant reduction of about 12 million feet there in comparing the two fiscal years.

Currently, many of our sales are below cost due to a variety of reasons. I touched on a couple earlier, including costs of planning and designing sales to meet changing public values. We also are involved—the forest I should have mentioned earlier is partially within the Northwest forest plan, that is within the range of the northern spotted owl. We are on east side, so to speak, so we have associated costs there with the best of both worlds, if you will, and dealing with the Endangered Species Act and a myriad of Federal laws that you heard about earlier.

I would also respectfully remind the committee of a major transformational shift within our agency which has been manifesting itself, particularly over the past half decade. Some might call it a colossal metamorphosis in fact, and it really includes a shift from a timber base to an ecosystem health base, from an agency base to what I would call a watershed base, and another example would be to a situation of caring for the land to encompassing that to caring for the land, people, and communities. I would also be very upfront in saying that this maturation process associated with the transformation continues, both within the agency and externally.

The value of the timber sale goes well beyond simply just comparing the stumpage receipts and posting that up against the expenses that were invested there. There is an awful lot more to it, I think again part of that has been discussed today. There is lots of potential there through vegetative manipulation to change some landscape character out there and diversify in those cases where it is appropriate acreage of treatment to improve the growth in forest health, receipts are generated that result in payments to the local governments generating jobs and consumer income to the communities that surround the forest in reducing the risk for wildfire and the costs associated with suppressing wildfires.

There has been some discussion earlier in terms of the commodity production being a thing of the past and a byproduct there of the timber sale, if you will, as far as the widgets that come off a piece of land there relative to logs going to market, for example. I think it is safe to say that a primary focus, as we compare today with a decade ago, for example, on what might have been looked upon as a commodity production, perhaps a decade ago, not saying that is a complete thing of the past, but it is from the respect of looking at it as a commodity, period. Because looking at an ecosystem approach to landscape management is what is being emphasized today. With that, there would be a general—again, I do not want to over-simplify, but if you look back about a decade ago, it would be generally safe to say that you would be looking at a

timber sale area, for example, that might be several hundred acres and a pretty fair proportion of that might be associated with harvesting some relatively large diameter saw timber trees. A fair share of that probably would also have been associated with what we call regeneration harvests; whereas today, at this point, given the vast acreages that were spoken to earlier of overstocked stands out there and needing treatment, we are doing considerably more thinning over more extensive acreages. This is associated with dealing with much smaller diameter products that are coming off that landscape, and in that respect, it might be looked upon in getting to that desired future condition and reducing that fire hazard example, as some people might suggest that that is timber now acting as a byproduct of that. In that respect it might be considered a byproduct, but I wanted to just take a moment and kind of acknowledge that situation today as compared to a decade ago.

So the timber program, in wrapping up on that, is really one of the many tools used to accomplish ecosystem management across our forested landscape.

In closing, I very much appreciate the opportunity to address the committee. I realize this overview has been brief and rather rapidfire and I would be very happy to answer any questions you might have on the complex issues related to resource programs in the Okanogan National Forest. Thank you.

Mr. HORN. Well, thank you, that was a very fine presentation. Mr. O'Neal.

[The prepared statement of Mr. Gehr follows:]

SUPPLEMENTAL STATEMENT OF
SAM GEHR
FOREST SUPERVISOR, OKANOGAN NATIONAL FOREST

before the
Committee on Government Reform and Oversight
Subcommittee on Government Management, Information, and Technology
United States House of Representatives
concerning

Management Practices on the Okanogan National Forest

Wenatchee, Washington
July 9, 1998

Mr. Chairman and Members of the Subcommittee:

It is my pleasure to welcome you to the Pacific Northwest. The focus of this hearing is to discuss issues related to financial management, the Knutson-Vandenberg (K-V) Fund, recreation and the recreational fee demonstration program, and below cost timber sales. I will briefly address these issues as they relate to the Okanogan National Forest.

Overview

The Okanogan National Forest, located in north central Washington, encompasses over 1.7 million acres, the vast majority in Okanogan County, a very rural county (referred to by some as Washington's "outback"). Approximately 635,000 acres are in Wilderness (Pasayten and Lake Chelan/Sawtooth), with another 454,000 acres classified as "roadless." British Columbia borders to the north, the Cascade crest to the west, the Wenatchee National Forest to the south, and the Colville National Forest to the east.

There are an interesting variety of geographic and climatic conditions ranging from near desert in the Okanogan Valley, with ten inches of precipitation at a 1,500-foot elevation, to alpine settings west of the Methow Valley, featuring snowfall accumulations exceeding ten feet at 6,000-9,000 foot elevations in the Cascades. The Okanogan is one of the most picturesque of our nation's 154 National Forests.

Forest headquarters are located in Okanogan, with Ranger Districts headquartered in Twisp and Tonasket. The North Cascade Smokejumper Base is housed in Winthrop.

Recreation Program On The Okanogan National Forest

Visitors to the Okanogan National Forest encounter a wide variety of recreational opportunities. The summer and winter activities include hiking, camping, mountain bike riding, off-road vehicle use, horseback riding, hunting, sight-seeing, fishing, snowmobiling, and cross country and downhill skiing. Clear skies and abundant sunshine attract visitors from the Washington Coast, Canada, neighboring cities, and local residents.

In fiscal year 1998, the Okanogan National Forest received $690,000 in recreation funds and $145,000 in wilderness funds.

Portions of the Forest, including the entire Methow Valley Ranger District and the west half of the Tonasket Ranger District, were designated as a pilot project under the Recreational Fee Demonstration Program in 1997. This area is all on National Forest System lands west of the Okanogan River. The pilot project established fees for the Okanogan National Forest overnight parking pass and the National Forest Pacific Northwest Region trail park pass.

Total revenues from the sale of these passes will be about $180,000 in fiscal year 1998. This amounts represents an increase from the total program collections of $93,900 in fiscal year 1997. This revenue will be used for improvements such as restrooms, parking areas, and garbage collection stations. The funds will also be used for maintenance of existing trailheads, trails, and recreation areas.

The Okanogan National Forest has made a strong effort to design and select projects that are visible and that benefit the public. Although the public has raised concerns about paying the fees, people are supportive where they see direct benefits from the program at the sites where fees are collected.

The dollars collected from the Recreational Fee Demonstration Program are used in conjunction with appropriated funds to help the Forest accomplish needed work. We clearly heard from the public that its support of this Program will decline if appropriated funds are offset by the money collected through the Recreational Fee Demonstration Program.

Financial Management

Although we have experienced many challenges with the implementation of the Foundation Financial Information System (FFIS), we are proud to be participating in this effort to improve our financial management process and accountability.

During the past year, we have been doing our part to implement the National Financial Management Action Plan. Specifically, we have identified and corrected known deficiencies in our accounting data, actively participated in the FFIS training efforts, and worked toward the completion of our asset inventories and their valuation.

I am committed to our effort of improving the reliability of our financial data.

Cooperative Work Knutson - Vandenburg Fund

Stumpage receipts on the Okanogan National Forest have declined over the last 5 years. The expectation is that K-V funds will decrease by approximately 6% between now and FY 2001. This reduction is a reflection of reduced harvest levels and stumpage values coupled with an increase in sale planning and preparation costs.

During the past two years we have performed very thorough reviews of our timber sale program and trust fund cash balances, including K-V, in an effort to improve our overall management of timber sale receipts.

The Okanogan National Forest has been using K-V funds for:
- Investing in planting and managing natural regeneration to assure reforestation;
- Improving growth and health of young timber stands;
- Improving wildlife habitat;
- Conducting watershed projects; and
- Protecting and improving the future productivity of the renewable resources.

Below Cost Timber Sales

The Okanogan National Forest harvested 12.3 million board feet of timber from 2,627 acres last year. This timber was harvested from sales sold in FY 1997 and previous years. The harvest of 12.3 million board feet is a decrease from the 23.5 million board feet harvested in FY 1996.

Currently, many of our sales are below cost. This is due, in part, to the cost of planning and designing sales to reflect the latest scientific information, public values, and implementing the Northwest Forest Plan, the Endangered Species Act, and other Federal laws.

The cost of sales is not a good measure of their value. The value of the sales goes beyond just the stumpage received by virtue of these projects to include:
- Generating acres for reforestation;
- Generating acres of treatment to improve growth and forest health;
- Generating receipts that result in payments to local governments;
- Generating jobs and consumer income to the communities surrounding the Forest; and
- Reducing the risk of wildfire and the cost of suppressing wildfires.

We are now emphasizing an ecosystem approach to management. There has been a shift from harvesting large trees (frequently associated with regeneration harvests) to removing primarily smaller trees (thinning to reduce stand density of a silvicultural treatment) using different harvest methods, which results in timber being a by-product rather than being the primary objective. The timber program is only one of the many tools used to accomplish ecosystem management across the forest landscape.

Closing

I appreciate the opportunity to address this Committee. I would be happy to answer any questions that you may have on these complex topics related to resource programs in the Okanogan National Forest. Thank you.

Mr. O'NEAL. Thank you, Mr. Chairman. I am very pleased to be here, especially glad to see our Congressman, Doc Hastings, here and the interest that he has in these topics.

What we are all about is trying to take care of these national forests in a way that they will be there for future generations.

I have provided all this information, so it is available in the record, so I will summarize, if I am permitted to do that, as the other folks have been permitted to do.

Mr. HORN. Please go ahead.

Mr. O'NEAL. The Wenatchee National Forest is a very large one. It is one of the largest National Forests in the country, it is 2.3 million acres in size, it is all on the east side of the crest of the Cascades, and Mr. Chairman, you were in the national forest for a large part of your trip over here today and I hope you did enjoy it because it is an area that provides a lot of resources and a lot of values for the people in central Washington as well as the people throughout the State and across the country. These are national resources that are treasures for the people of the United States.

The forest is about 150 miles long and about 35 miles wide. It borders the Okanogan National Forest on the north and the North Cascades National Park, and then on the south it borders the Yakima Indian Reservation and Mt. Rainier National Park. It is an area that people have a lot of interest in and there are a lot of resources in the way of water, air, the scenic beauty, the forest and the timber, the trees that are there many people are in competition for as we hear it day in and day out.

I think the main goal is to make sure that we are able to manage these in perpetuity for the people of the United States and that is our goal as Forest Service managers.

I would like to get into the topic of recreation fees, to begin with. The Wenatchee Forest has about 6 million visits to it on an annual basis. That is increasing every year. We are faced with new challenges on a daily basis about how to continue to be able to provide the opportunities that people now enjoy out on the national forest and at the same time trying to accommodate these new visitors. Budgets have been rather flat in that area, so it is important to us to be able to have an additional source to be able to continue—of revenue—to continue to be able to manage these forests and provide these opportunities for people.

The entire Wenatchee National Forest is under the Recreation Fee Demonstration Program. With that, each of our six ranger districts have involvement in the trail park program, which is a region-wide program. The primary purpose of that is to produce the revenue to be able to maintain the trails. I have a lot of trails that are currently closed because of downfall of timber, materials that are over the trails. Quite frankly, with the existing budgets that we get, we cannot provide those opportunities for people. We are into that program very heavy, we have 160 trailheads into that program. That gives people access to 2,200 miles of trail just on the Wenatchee National Forest. The fees for that are $3 a day or an annual fee of $25 a year. We also have a feature that people can, if they are concerned about paying the fee and if they are willing to come out and help work, help maintain these trails, we will give

them credit for that and offset the fees. So that has been an important selling point that we have had as we implement that.

Mr. HORN. How many hours do you put in to equal the $3?

Mr. O'NEAL. I think it requires you to have about 3 days of work in order to get the annual permit. Our requirements are—you know, we require them to actually produce with that work rather than just having an opportunity to go out and hike on the forest.

Mr. HORN. I can see the Department of Labor's Wage and Hour Administration headed in your direction. [Laughter.]

Mr. O'NEAL. Also, all of our six ranger districts have additional fee demonstration projects that range from a drainage that might have been popular for dispersed area camping, overnight camping and we were having trouble in there keeping the litter cleaned up and maybe even problems with managing the situation and hardening the site so people could continue to use that area. They also have a number of other fee projects.

Generally, the way we began this program, we made a lot of up front effort in asking the public, visiting them out on the forest, to see whether or not—try to explain to them that we need to figure out a way to increase the revenue to provide the services that they were demanding. Through that up front, we found that when we contacted people right out on the sites that they were using, that once they understood the need for additional revenue and the fact that the funds were going to come back to the individual areas, they were then acceptable to that, and we had about 80 percent of the people we contacted out on site that said, "hey, we do not like the fees, but we can understand why and we think it would be OK."

However, when we contacted local people that might be residents adjacent to the forest or they might be in small communities adjacent to the forest, that percentage was much less. The local folks where these areas were in their backyards, they were more concerned about and more resistant to paying fees. But anyway, that helped us launch off onto this fee program and I believe it has been very successful.

Normally our budget on the Wenatchee National Forest for all of recreation is about $2.2 million. We are expecting, when we add the trail park fee revenues that we will get and the other demonstration areas that we have, we will probably be in the neighborhood of $400,000 for 1998. That will go a long way to help continue to provide the opportunities for these people to enjoy the national forest, the people that own the forest.

I would like to now move into the financial health. You know, in my younger days in the Forest Service, I was always concerned about financial health, but it is different than what the situation is today. My main concern in those days, I wanted to always make sure that I did not overspend my budget and that I did not outspend my collections on the trust funds that we have in the Forest Service. That was my two main goals and I thought if I came through that OK, everything would be OK, because in fact it is illegal to overspend budgets in the Federal system. But in 1996, we started getting information about the Forest Service financial statement was not up to par with what was expected of a Federal agency nationally. So at that time, we began getting direction from

our superiors that we needed to really step up the pace in financial management and be doing a better job. Most of the areas that there was concern about is that we needed to do a better job in accounting for the property that we had, knowing how much it was worth, and working that into the financial management system, and those kinds of things.

So we have gone a long way toward that. In 1997 was the first time, to my knowledge, that I had a performance element that was specially designated for financial health. I actually got it in the middle of the year, after I had already started my management for that year. I can remember my mid-year performance, there was about six elements relative to financial health in addition to those two that I always thought I was doing a good job in, that we had to start dealing with. My forest was way behind in that area and I can remember the regional forester presenting me with this little diagram of an hourglass showing most of the sand already gone out of the top and it said at the bottom, time is running out. That convinced me that we really do have a serious problem in financial management.

We also now have an action plan in our region for this financial management, financial health. We also have the desk guide that both the GAO and the inspector general referred to this morning. After I saw one of the statements that the inspector general was going to say, I went in and I picked up the desk guide. Our fiscal manager on the forest is on leave right now, on vacation, and so when I went into the office, I just said I need the desk guide, the financial health desk guide. So folks looked a little bit puzzled for a minute and then I said, "well, it is probably on the fiscal manager's desk." Sure enough, it was right there, and here it is.

Mr. HORN. Does that guide have a description at each place in the financial organization, what that person is expected to do?

Mr. O'NEAL. Yes, I believe it does.

Mr. HORN. So that if somebody is hit by a truck by accident, you can move somebody in there, they can read what they are expected to do?

Mr. O'NEAL. Yes, they can.

Mr. HORN. I am all for that. I started that 30 years ago and it frustrated me when one business manager I had did not do it.

Mr. O'NEAL. There is also the Region 6 Pacific Northwest Action Plan, a copy of that, that I noticed the fiscal officer had in here as well. And it details and assigns various positions to various parts of this financial management.

Mr. HORN. I will tell you one thing I learned dealing with State auditors, I always got some great advice from them after the audit was done. One of them insisted on people taking a vacation. A vice chancellor in another university system in northern California was caught, he had an 800-acre ranch and one day he went on a vacation for 3 weeks. The person that sat there got one of the envelopes coming in to ask the university to pay and it was for 800 bales of hay and the university had thousands of acres. Lo and behold, that was not going to the university acres, it was going to the vice chancellor's acres, and they got him. So I always have insisted on vacations, as a result. [Laughter.]

Mr. O'NEAL. I want to move on now to the K–V—[laughter.]

The issue, as I understand it relative to K–V, is overhead assessments. I know in the Forest Service we really have been struggling with our overhead assessments in all of our areas. As the kind of business that we do changes, that then changes the overhead assessments and so it is something that we really do need to stay on top of. On the Wenatchee National Forest, as far as the K–V assessments, we assess this in a general way on an annual basis, but if over a 3-year period we determine that we need to make a change relative to our collections that is part of the timber sale appraisal process, then we trigger what that change would be. I just went back over and looked at our records and our assessments against K–V has been running around 24 to 25 percent for the last 3 years, and so we are not expecting that will change into the future. However, we are having to do a lot of things to manage that. In K–V collections, our total on the forest and what we expect to be using on an annual basis, there is a major shift in that and we are expecting that to change by about 50 percent. So, as a result of that, we are having to change staffing to account for that, to keep this overhead assessment at a reasonable level.

The next item I wanted to cover was the timber sale, below-cost timber sales. Back in 1987, when I first was appointed to be the forest supervisor here on the Wenatchee National Forest, at that time and for a period of 3 to 4 years after that, all of our sales, without exception, were above cost, we did not have below-cost sales. After that, as we started shifting our management to start meeting goals that was beyond just selling timber for timber's sake, then that started to shift.

But even in this last TSPIRS report for the Wenatchee, we still had a few sales that were over on that commercial category that were still above cost, but we had a whole lot more that is in the below-cost category. That is primarily because over the last few years, we have, because of the fires that we had in 1994, we have been trying to do what we can to get as much wood out of that area, because in the future it would be available for additional forest fires.

What happens with this standing wood out on the national forests after a big fire is that after about 15 or 20 years, it falls down on the forest floor. Well, also during that period of time, you have got the new forest that is growing up. And when you combine that old fuel from the previous fire with those new little trees, you have got a potential for a fire that is a lot more significant than the one we had in 1994. So we are concerned about getting as much wood out of there as possible. A lot of those were below-cost sales, but with the objective of reducing the fuels.

Also, after looking at the situation and the condition of our forest, the Wenatchee National Forest, we have developed what we refer to as a dry forest strategy where we are focusing all of our efforts in removing wood and doing prescribed fire to reduce the significant fire hazard that we have here in central Washington on to these forests that are in the dry forest. From a revenue production standpoint, it goes way down, because we are trying to meet these ecosystem restoration goals as part of that.

Also, I would like, if it would be permissible, to give you a video that explains this dry forest strategy and this general fuel condi-

tion. You heard a lot about that from a lot of the people that were on the previous panel. This will give the subcommittee an excellent overview of the situation in the forest and this big change that we are in transition on where we are going from a situation where we were producing timber to produce revenue, now we have this higher objective of taking care of the forest long-term for the people of the United States.

Mr. HORN. That is fine, we will be glad to receive it by the staff and when I get to Washington, loan it to me and I will look at it. I do not know, maybe you already have one.

Mr. HASTINGS. We have one, I think we do.

Mr. HORN. But on that issue, do you have a transcript of what the wordage is on that video somewhere?

Mr. O'NEAL. Yes, we do.

Mr. HORN. OK, I would like to put it in the record at this point.

Mr. O'NEAL. We also have a document that we usually have our folks take with that when they show it to various groups that has some talking points that would be useful to you.

Mr. HORN. Good, we will put them both into the record.

Mr. O'NEAL. I will make sure you get that.

Mr. HORN. We will put them in the record at this point without objection.

[The information referred to follows:]

Script for the Wenatchee National Forest video:

Our Dry Forests - A Century of Change

(developed and produced by the Wenatchee National Forest)

The national forests are public treasures owned by all Amercians. One of the crown jewels is the 2.2 million-acre Wenatchee National Forest. The forest is located along the eastern slope of the Washington Cascades, between scenic Lake Chelan in the north and the rugged Goat Rocks Wilderness to the south.

These days, society is looking for ideas on how best to manage the national forests for future generations.

Many questions are being asked today about forest management: How have the forests of eastern Washington and Oregon changed over the last century? What goods and services can our forests provide for the future? Can ecosystems with a variety of plant and animal species be maintained in a healthy condition? How does fire play a role in this equation? Are recent catastrophic fires what we can expect for the future?

When looking for answers, it helps to first consider the history of our forests and the effects humans have had on them.

For thousands of years, before the 1850's and the arrival of settlers in Central Washington, disturbance by fire was the dominant force which shaped our dry forest ecosystems.

The first explorers and settlers often wrote about the natural and human-ignited fires they witnessed and the resultant smoke hanging over the mountains throughout the summer months.

In their diaries, many who came to Eastern Oregon described the mountains and the blue haze they saw. Smoke from distant fires burned summer-long and produced the "blue" in what would later be called the Blue Mountains. The history of Eastern Washington forests is much the same.

Many of the fires were naturally started by lightning, but others were purposely lit by American Indians to improve hunting, to remove cover that might hide enemies, and to enhance growing conditions for berries. These were usually light surface burns that kept the forest floor open and allowed for easy travel.

Script for the Wenatchee National Forest video:
Our Dry Forests - A Century of Change

These surveyors wrote in the 1855 railroad surveys in the Stevens Report that....'There is so little underbrush in these forests that a wagon may be drawn through them without difficulty, forming a striking contrast to the dense thickets of the western slopes. The level terraces are covered everywhere with good grass and shaded by fine symmetrical trees of great size through whose open foliage the sun's rays penetrate with agreeable mildness, giving to these forests the appearance of an immense ornamental park."

Early accounts describe large-size pine trees, the forest's open structure, an absence of underbrush and small trees, and a lush cover of grass.

But how can plants and trees live and thrive in an environment frequented by ground fires?

The fine, symmetrical trees referred to in the Steven's report were ponderosa pines. Under natural conditions, this was the most common tree in eastside forests at mid- and lower elevations.

Ponderosa pines are uniquely adapted to thrive in an ecosystem with frequent low-intensity fires. Older trees have few limbs at ground level, so it is difficult for surface fires to climb into the tree tops, and their thick, corky bark provides insulation from the heat of flames.

While adapted to fire, ponderosa pines <u>will</u> burn if enough needles and dead branches accumulate at the base of a tree or if they grow within dense stands of younger trees. However, if fires burn through a ponderosa forest frequently enough, fires remain at low intensities and most larger trees survive.

Ground fires killed many of the young ponderosa pine, and most of the Douglas-fir or grand fir seedlings that had sprouted in the grove. This was to the benefit of the large trees, because the young trees competed for the scarce water and minerals available and provided a way for fire to climb up into the branches of the older trees. Water can be especially scarce in our dry forests with only 10 to 40 inches of rainfall in a year.

Even grasses and shrubs found in the understory are adapted to withstand low intensity fires. Pinegrass, buckbrush, snowberry, willow and many other plants resprout from underground roots after the fire burns their above-ground parts.

In fact, some wildflowers, like lupine, <u>need</u> disturbance such as fire to promote germination of their seeds.

Script for the Wenatchee National Forest video:
Our Dry Forests - A Century of Change

In the ground, many buried seeds and roots survive the fire. The next spring, young shrubs, grasses, and flowering plants will emerge from the ashes.

Even wildlife have special adaptations that allow them to survive fires. For example, some can fly or run from fires, while others seek underground refuge in burrows.

Many plants and animals have specifically adapted to an environment frequented by low-intensity ground fire.

How do scientists know that frequent low-intensity ground fires burned across our low elevation eastern Cascade landscape?

The answers are found in tree ring and fire scar research.

Scars from periodic fires burning around the base of the ponderosa pines record a fire history just waiting to be read.

Each year a tree adds new growth which can cover old scars. Fire ecologists can remove and study tree wedges from the base of trees to read the record of repeated fires over hundreds of years.

By studying hundreds of fire-scarred tree wedges dating back to the 1600's, fire ecologists on the Wenatchee National Forest have found that fires frequented our eastside low elevation forests every five to 15 years.

The tree wedges collected on the Wenatchee National Forest show that on average the first fire scar occurred when the tree was only three and a half inches in diameter. This tells scientists the fires must have been very low intensity because they did not kill these small trees.

Such clues from the past have helped us determine that fire has been a crucial force in the ecology of the eastside ecosystem of the Cascade Mountains.

But much has changed in our forests since 1850 when the first settlers were traveling west. Now, when we hike through our woods we must step over many dead trees, and travel is difficult through tight, dense forests.

It would be very difficult to bring a horse and buggy through today's woods.

So why do we have thick stands of pine and fir trees growing where 150 year ago we had open stands of ponderosa pine?

Script for the Wenatchee National Forest video:
Our Dry Forests - A Century of Change

The complex answer is related to politics, social values, and the changing science of forest management.

In North America, frequent fires shaped the landscape over thousands of years. As settlement advanced across the continent, communities in fire-prone areas were vulnerable. Hundreds of people died
when fires burned through wooden towns with minimal fire protection.

It was natural to view fire as the enemy, and a century of vigorous fire suppression began.

As waves of settlers flowed into Central Washington, the fire disturbance pattern in low and mid-elevation dry eastside forests changed. Frequent low-intensity fire quickly became a memory of the past.

At the same time, as more and more people settled in the west, wood became viewed as a valuable commodity for homes, buildings, fences.....

.....and transportation.

Congress created a system of National reserves designed to conserve what remained of American forests. In 1905, President Theodore Roosevelt greatly expanded these reserves and championed their
establishment as the National Forest System, under the management of the U.S. Forest Service.

The application of scientific forestry practices meant the end of the frontier and an end to indiscriminate burning. A continuous supply of forest products was needed...the expanding population had to be protected.....and fire had to be controlled.

Forester Gifford Pinchot was put in charge of our National Forests. In 1910, Pinchot wrote, "....in the early days of forest fires, they were considered simply and solely as acts of God, against which any opposition was hopeless.....

.....but today, we understand that forest fires are wholly within the control of man."

This gave birth to lookout patrols.....

.....and fire crews.

Script for the Wenatchee National Forest video:
Our Dry Forests - A Century of Change

At the same time, Washington State had become first nationwide in lumber production, and maintained that position from 1905 to 1935. At least half of the wage earners in the state were dependent on the timber industry for their livelihood, a tradition which would continue for years.

Locally, the large ponderosa pine were especially popular with loggers because of the size of the trees and their easy accessibility.

The large pines were favored by the orchardists of Central Washington for making apple boxes. It was estimated in 1931 that more than 100 million board feet of lumber was required annually just to supply the fruit industry with needed boxes. In many places, virtually all large pines were taken from private and public lands.

By the end of World War II in 1945, national forest timber harvest really began to accelerate to help meet the lumber demands of a booming housing industry and a rapidly expanding economy.

Meanwhile, unregulated grazing in the early 1900's removed ground vegetation which altered forests in two ways. Young trees were more easily established in the bare soil, and fires could not spread as easily without continuous shrubs and grasses to fuel them.

The suppression of fire, timber practices, and grazing changed the make-up of the forest. The largest ponderosa pines that were most accessible in the lower elevations were selectively cut for their high quality wood. The small pines, grand fir, and Douglas-fir were left standing.

An unintended consequence of 90 years of successful fire suppression has been the build up of large amounts of highly flammable fuels in most mid- and lower elevation eastern slope forests. Without fire, seedlings grew rapidly in open spaces throughout the dry forest.

Unlike the ponderosa pine, grand fir have thin bark which does not protect them from fires. Their limbs are thick and begin at ground level so fires can climb them like a ladder, into the tops of the trees. Because they grow well in shade, firs grow in dense groves. This makes it easier for fire to burn from tree to tree, killing even the large pines.

Script for the Wenatchee National Forest video:
Our Dry Forests - A Century of Change

More than 346,000 acres of the dry forest within the boundaries of the Wenatchee Forest are now in a dense condition and are vulnerable to insects, tree disease, and high intensity fires. Recent research has shown that there are from two to seven times more trees in these dry areas of the Wenatchee Forest than there were historically.

A study in Pendelton Canyon within the Mission Creek drainage of the Wenatchee Forest found that there were approximately 30 to 40 large trees per acre in the early 1800's. Today, not only is the composition of tree species different, there are over 200 hundred small trees per acre in the same locations.

These three photos, taken from the same photo point in Western Montana, show a similar forest change from 1909.....

.....to 1928.....

.....to 1948.

Over-crowding of forests means that all plants must compete for a limited supply of water, nutrients, and sunlight. In the drier climate of Central Washington, this increased competition between plants means that many individual trees are often stressed and weakened. Conifers competing with each other for water and nutrients are less able to fight off attacks from insects and disease. One result is a drastically increased number of beetle-killed trees in the forests.

Several human generations have now experienced forests without the cleansing effects of frequent natural ground fires. It is easy to believe that much of the present eastside dense, thick forest is the natural forest. It is not. And, unfortunately, there comes a time when it cannot be defended from catastrophic fire.

High intensity fires occurred naturally in some forest types, but seldom in the dry forests.

In dense dry forests, fires **now** are able to climb into the tree tops and move from tree to tree.

This has caused a fire environment prone to large scale and high intensity fires difficult to prevent and control. In 1994, wildfires in Chelan County exploded across 186,000 acres.

Script for the Wenatchee National Forest video:
Our Dry Forests - A Century of Change

Forest soils are damaged by this type of high-intensity fire. When all the standing trees are killed, their roots no longer hold soil in place and soil erodes rapidly. Damage to forest ecosystems is severe. For several years, the danger of flash flooding and debris flows is extreme.

Effects on water quality and fisheries can be significant.

It cost $70 million to suppress the Chelan County fires of 1994, and $18 million more for emergency rehabilitation efforts.

It's clear that there is work to be done to move these dense dry forests into a more resilient, sustainable, and healthy condition. But, the task of bringing several hundred thousand acres of unhealthy, over-crowded forests back to a sustainable condition is a daunting one. In the meantime, the Wenatchee National Forest will continue its policy of aggressively suppressing all wildfires when private property and significant forest resources are threatened.

Three specific actions will comprise the critical first steps of the task.

An aggressive program of thinning on a landscape basis, covering thousands of acres each year, will be required. Selective logging would focus on removing small firs and pines, leaving larger, well-spaced pines, Douglas-fir, and western larches.

Compare the thinned area on the right to the untreated forest on the left. These methods have been successfully used in the past, but typically over too small an area to affect the steady build up of vegetation.

Thinning will be followed by pruning of lower branches and careful use of prescribed fire to further reduce excessive fuels. However, not all activities would occur on all acres.

Much of this effort will initially be focused on forest land near residential areas, to reduce the risk of fire damage to private property.

Prescribed fire is used only under appropriate conditions to meet specific management objectives. It is planned months in advance, before being ignited, and its use is guided by smoke management plans to minimize smoke impacts on populated areas.

Script for the Wenatchee National Forest video:
Our Dry Forests - A Century of Change

Activities would be designed to create a mosaic of forest conditions across the landscape. Open stands would wrap around denser forest groves, protecting old growth-dependent wildlife and plants from devastating wildfires.

We've done a great job of making the public aware of their role in preventing wildfires.

Now we need to help the public understand the role fire plays in maintaining sustainable ecosystems. What has been missing is an understanding of the inevitability of fire. Where forest fires are concerned, the question is not if, but when they will occur, and how extreme they will be.

Because of the fuel build-up it would be impossible to reintroduce fire in many of today's dry forests on the Wenatchee National Forest without first preparing the forest by thinning large areas. We would destroy the very ecosystems we are trying to save, including an enormous amount of fish and wildlife habitat.

Though important, the trees are only one of many interdependent parts of a forest ecosystem. To be healthy, the land has to be whole with all of its parts and connecting links in good condition. People are a part of this whole, not apart from it.

We are dependent on the land for a sustainable flow of spiritual.....

.....recreational.....

.....and commodity values. We must focus on individual parts of the ecosystem but understand the interdependency of all the parts.

To reflect society's changing values, the Forest Service and many other natural resource agencies and organizations are adapting their management philosophy to emphasize this holistic ecological approach.

By bringing citizens with differing opinions on forest management together through public involvement, we hope to develop a shared vision of the future forest.

Land managers must constantly evaluate the subtle changes in the forest and assure themselves that the short and long term path is right. It took almost 100 years to create current forest conditions, so it will take many years to restore the sustainable forest.

Script for the Wenatchee National Forest video:
Our Dry Forests - A Century of Change

Any actions taken to restore ecosystems must include monitoring to see if we are meeting our objectives. In this way, we can fine tune and change our course if necessary.

History demonstrates that both nature and human culture are dynamic. Discoveries in forest science and changes in public expectations have led us to new visions of healthy forests.

With the application of ecosystem management over large landscapes we can reduce the risk of catastrophic fire.....

.....and we can restore our dry forest ecosystems.

.....and...., if we design ecologically responsible management to meet society's needs, there will be benefits for generations to come.

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DRY FOREST STRATEGY--WENATCHEE NATIONAL FOREST

Questions and Answers

Why are Wenatchee Forest employees so motivated to quickly develop and begin implementation of a Dry Forest Management strategy?

Seven years of local research have confirmed unnatural numbers of small trees and a serious accumulation of fuels in the dry, fire-prone areas of the Wenatchee National Forest. From two to seven times the historic numbers of trees are now found on more than 300,000 acres of the forest, primarily in mid and lower elevation areas. Catastrophic wildfire in 1994 burned through forests in this condition, destroying 37 homes and threatening every community in Chelan County.

How do we know dry forests are different today than they were 100 years ago?

Early settlers of Central Washington left written accounts of open pine forests with widely spaced big trees and occasional smaller trees. Fire scars in the rings of old trees and stumps provide a record of past wildfires, which burned through most dry areas every seven to 15 years.

What caused this unusual growth of new trees?

Vigorous fire suppression greatly reduced the number of fires which had historically killed most young trees and spared thick-barked ponderosa pines and Douglas-fir. At the same time, early logging often removed larger pines, leaving less valuable firs and opening growing sites for young trees. Intensive early grazing by sheep and cattle is also thought to have removed grass and brush that may once have helped low intensity fires to spread. Such vegetation may also have provided competition to young trees.

What type of timber harvest is proposed under the Dry Forest Strategy?

The strategy envisions thinning of forest stands to achieve a mosaic of vegetation in drier zones. Logging would focus primarily on removing smaller diameter commercial trees, while leaving widely spaced larger ponderosa pines and Douglas-fir. Technological advances have allowed the construction of private lumber mills which can utilize logs as small as four inches in diameter--much smaller than before.

How large would timber sales be?

Rather than sales affecting tens or hundreds of acres, dry forest sales will need to accomplish thinning on 1,000 acres and more to achieve desired reductions in fire intensity. Not all acres in an area would be thinned. Rather, sale areas would wrap around dense forest groves being maintained for old growth dependent wildlife species, helping to protect them from devastating wildfires.

What other steps would need to be taken to restore dry forest areas to a more defensible, natural condition?

After the thinning of commercial trees, it may be necessary to follow up with hand thinning of very small non-commercial trees in some areas. It may also be necessary to prune away the lower branches of remaining large trees to ensure that future ground fires do not jump into the crowns of these big trees.

Why not just let fires burn in forested areas and let nature take its course?

The numbers of trees and heavy accumulations of fuels in our dry forests, plus their nearness to homes and towns leave few options for natural or prescribed fire. Once extensive thinning and slash reduction occurs, fire managers expect to be able to use periodic prescribed fire to reduce future increases of vegetation and woody debris in the forest.

Who will have input into the design of timber sales in the future?

Projects will be designed by teams of specialists, including foresters, botanists, wildlife biologists, soil and water specialists, and landscape architects. An environmental analysis will be done for each project, with full public involvement.

Will there be money to implement the Dry Forest Strategy?

Future budgets are always uncertain as streamlining of the federal government continues. The Clinton Administration and Congress have recognized that a dry forest health problem exists throughout the interior West. It appears that there may be some funding available for projects like those proposed on the Wenatchee Forest. Beyond this, it is hoped that some funds raised from dry forest timber sales will help pay for the development of future projects.

Will this program cost the taxpayers money?

With the focus on the thinning of smaller trees over larger areas, dry forest strategy timber sales are not likely to be big money raisers. However, since much of the dense dry forest is located in roaded areas of the Wenatchee Forest, the program would be spared much of the expense of new road development. Forest managers hope that most sales will at least pay their own way. There would be no commercial return from the thinning of very small trees or from prescribed fire use.

How might the program save taxpayer dollars?

It is important to remember the very high costs of doing nothing...the Wenatchee Forest wildfires of 1994 cost over $70 million to suppress, and burned area rehabilitation cost $18 million more. Beyond this, 37 private homes burned, local communities were choked with smoke for weeks, and the tourism-based economy lost millions of dollars.

How long might it take to have an impact on the catastrophic wildfires which have plagued the Wenatchee Forest in recent decades?

It took nearly 100 years for the dry forest to get in its present condition. It is expected to take several decades to restore a balance over more than 300,000 acres. In the meantime, there is a high likelihood of additional catastrophic fires, so aggressive fire suppression will be very important to buy additional time to implement the strategy.

What are some of the challenges which must be met in implementing the dry forest strategy?

The program must be designed to protect soils, water quality, wildlife values, and scenery. The Forest Service will work with other agencies, Indian tribes, and the public to meet those objectives.

Will there be changes in the strategy over time?

Yes, definitely. The first dry forest timber sales will be watched closely to see which approaches are most successful in meeting the overall objectives. Future projects will be designed to build on successes.

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Mr. O'NEAL. That ends my comments.
Mr. HORN. Well, we thank you.
[The prepared statement of Mr. O'Neal follows:]

SUPPLEMENTAL STATEMENT OF
SONNY J. O'NEAL
FOREST SUPERVISOR, WENATCHEE NATIONAL FOREST

before the
Committee on Government Reform and Oversight
Subcommittee on Government Management, Information, and Technology
United States House of Representatives
concerning

Management Practices on the Wenatchee National Forest

Wenatchee, Washington
July 9, 1998

Mr. Chairman and Members of the Subcommittee:

Welcome to the Pacific Northwest and central Washington. The focus of this hearing is to discuss issues relative to financial management, the Knutson-Vandenberg (K-V) Fund, recreation and the recreation fee demonstration program, and below cost timber sales. I will briefly address these issues as they relate to the Wenatchee National Forest.

The Wenatchee National Forest lies entirely to the east of the crest of the Cascade Mountains in central Washington State. The forest is 135 miles long and 35 to 40 miles wide, stretching from the North Cascades National Park in the north to Mt. Rainier National Park and the Yakama Indian Reservation in the south. It is a forest of remarkable beauty, abundant resources, fisheries, and wildlife. The Wenatchee is one of the most heavily visited national forests because of its proximity to the Seattle metropolitan area and the wonderful diversity of recreation opportunities it offers. This 2.3 million-acre national forest includes portions of seven classified wildernesses totaling 850,000 acres.

Recreation Program on the Wenatchee National Forest

Visitors to the Wenatchee National Forest come for a wide variety of recreational opportunities ranging from hiking, camping, ORV use, horseback riding, hunting and fishing in the summer, to snowmobiling and cross-country and downhill skiing in the winter. Dependable sunshine offers Puget Sound residents a pleasant year-round diversion from clouds and rain.

The entire Forest was designated a pilot project under the Recreational Fee Demonstration Program. There has been broad public acceptance of the various trial projects because they are providing funds needed to maintain local recreational facilities. Both of the Forest's Northwest Forest Plan advisory committees have been supportive of the recreational fee demonstration program.

The Forest has 160 trailheads and more than 2,200 miles of trails under the Regional Trail Park program. Total recreational fee demonstration revenues will be about $250,000 in FY 1998. These funds are being used for trail maintenance, trail bridge construction, placement of sanitary facilities at trailheads, providing tools for volunteer trail workers, and ranger patrols to provide visitor safety and minor trail maintenance. Public support for this program has been high.

Other Recreation Fee Demonstration projects include dispersed and developed campground fees for portions of three ranger districts, a fee to help maintain boat docks on Lake Chelan, boat launch fees, and weekend rental of unused Forest Service guard stations and lookouts. These programs will raise another $125,000. The Forest

has also placed Echo Ridge Nordic Area under the recreational fee demonstration program. This area provides access to groomed cross-country ski trails just outside the City of Chelan. The area is managed cooperatively with the local ski club, and the recreational fee demonstration project provides a majority of the funding needed to operate this area. The Chelan Ranger District also instituted a holiday weekend fee to help solve litter, sanitation, and law enforcement problems in two areas near Lake Chelan.

While some have voiced objections to paying new fees, when the public sees direct benefits resulting from fees, most users are supportive of the program. The Wenatchee National Forest has tried to design demonstration projects so the public can see these benefits.

In FY 1998, the Forest received $1,758,000 for recreation and $521,000 for wilderness management. Our recreation and maintenance program needs are in the range of $5 million. The $375,000 raised from the recreational fee demonstration projects will help bridge the gap between appropriated funding and recreation program needs.

Financial Management

The Forest Service is putting significant emphasis on improving financial management. A key action is the implementation of a new integrated financial information system to replace one we have used for the last 20 years. The entire Pacific Northwest Region and Station, and the Alaska Region are piloting the Foundation Financial Information System (FFIS) for the Forest Service and the USDA. FFIS will enable us to better track costs. The Wenatchee National Forest is a part of that effort to improve financial accountability.

We have a formal Financial Management Action Plan with specific due dates to guide and monitor activities and accomplishments. Actions include initial implementation of FFIS, improved real property inventories, migration of financial systems to the IBM environment, interfacing these systems with the FFIS system, and ensuring they are year 2000 compliant. Financial management core competency training is currently being developed for all employees.

Each of these actions is designed to improve the timeliness, credibility, and usefulness of our financial information. One key to improving this is to make our information needs easier to manage at the local level. We have been working with the National Forest Service Action Team, established in June 1998, to simplify the way we do business.

Beginning in FY 1997, progress in improving our financial health has been monitored and measured through the financial health action plan. Specific areas being monitored include obligations, interest penalties, internal and external reimbursable accounts maintenance, trust fund cash balance management, real and personal property, and allocation management. These tasks are a part of my annual performance elements as well.

Cooperative Work Knutson-Vandenburg Fund

The availability of receipts to finance K-V projects on the Wenatchee National Forest has been steadily declining over the past few years due to the reduced timber harvest levels and reduced value of the material harvested. We are expecting our K-V funds to decrease by 50% in FY 2000 from FY 1998 levels, a reflection of reduced harvest and the higher cost of preparing ecosystem restoration sales reducing the deposits that would otherwise go to the K-V fund.

K-V funds are collected from the sale of timber from the National Forest. The Wenatchee National Forest has been successfully using K-V funds for reforestation, thinning, pruning, wildlife habitat improvements, watershed restoration, recreation improvements, and range enhancements. Eliminating K-V overhead collections will not result in additional funds available for reforestation and other work.

We periodically adjust our K-V overhead collections to reflect actual costs. When an adjustment is warranted, we implement it. Between Fiscal Year 1991 and 1997, the K-V overhead rate for the Wenatchee National

Forest has remained relatively constant at 24.43% and 25.9%, respectively. Our overhead rate includes general administration, program management, office space, utilities, law enforcement, computer support, and other standard office operation costs.

In each sale area betterment plan, the overhead rate is added onto the cost of doing project work. We have been successful in completing all the work that is identifed within the sales where K-V collections have been made. We are concerned that if we do not collect overhead on our K-V projects, these costs will have to be passed along to our other appropriated fund areas. In the end, this would result in less budget for essential on-the-ground work from these appropriated funds.

Below-Cost Timber Sales

I first came to the Wenatchee National Forest in 1987. For the following three years, none of our timber sales were below cost. Many of our sales now are below cost. This change is tied to changing public values and the cost of up-front planning, plus procedural costs for implementing provisions of the Northwest Forest Plan, the Endangered Species Act, and other federal laws. Rather than managing for commodity production, we are now using a forest ecosystem approach to management. We have moved from harvesting large trees, often through clearcutting, to primarily removing small trees through selective harvest. This greatly influences cost.

However, the cost of the sales we are now selling is not a good measure of their value. In 1994, huge wildfires burned 180,000 acres in Chelan County, most within dry forest areas of the Wenatchee National Forest. These fires threatened all communities in the county at one time, burned 37 homes, shut down tourism at the peak of the summer season, and devastated important late successional wildlife habitat. It took 8,500 firefighters to halt the blazes, at a cost of more than $70 million. Emergency rehabilitation cost $18 million more.

Scientific research has shown that these fires and several large fires preceding them were fueled by overcrowded, dense, dry forests at mid and lower elevations. These overstocked stands are the unintended result of timber harvest practices, grazing, and successful fire suppression over the past 90 years. Our present timber program is directed toward what we call our "dry forest strategy." This strategy calls for thinning of dry forest stands over thousands of acres to remove smaller diameter trees, leaving widely spaced larger fire-tolerant trees. Thinning may be followed by pruning of some remaining trees and prescribed fire to further reduce fuel loads. There is often a cost to such stewardship but, as we found in 1994, the cost of doing nothing would be much higher.

Closing

Thank you for the opportunity to address your concerns today. This has been a very brief overview on some complex topics. I would be pleased to take any followup questions you may have.

Mr. HORN. I am conscious of everybody's time here. I know our GAO friends have to leave, I do not know if Mr. Stewart is on that plane. What we would like to have are some questions now before you do leave.

Mr. Hastings.

Mr. HASTINGS. I just have a couple of questions here that I want to ask.

Ms. Calbom, you mentioned in your testimony what was reiterated earlier by the IG, and I want to focus in specifically on your written testimony on page 6 where you go down and you say the capability—accounting capabilities I assume—are especially important because the Forest Service should have accurate historical data. Now the implication that it should, the implication is that it does not.

Ms. CALBOM. That is correct.

Mr. HASTINGS. How far off is that, any guess?

Ms. CALBOM. How far off is their historical data?

Mr. HASTINGS. Yeah, I mean you are saying that it is not accurate, so you must base that on something.

Ms. CALBOM. Yes.

Mr. HASTINGS. So how far off is it, or just elaborate on that.

Ms. CALBOM. Our statements are based on our analysis of the IG's work and the IG, in effect, has come out and said these financial statements are totally unreliable. We cannot tell what the right numbers are, so you can't tell how much it is overstated or understated. The systems are so bad—let me give you an example of what this is like, this is as if you took your checkbook and you gave it to your teenage son, if you have a son, I do not know if you do——

Mr. HASTINGS. I do.

Ms. CALBOM. You gave it to your teenage son and said, "OK, take this and you can write checks and bring it back to me in a month." So your son goes out and writes a bunch of checks and has a cash machine card too and he takes cash out of the cash machine and, you know, maybe he gets a little bit of money that he decides he is going to deposit, which probably is unlikely, but say he does that, but he does not write any of it down. He then comes back and he gives you back your checkbook and you say, "well, how much money is left in here?" He says, "well, I don't know, I have not really been keeping track of that, but maybe we can just call the bank and see what they say." So then you call the bank and see what they say and then you say, "let me just adjust to what they say because I do not know." However, you still do not know what it was spent on, you do not know at what time period it was spent, and you really do not even know for sure what is left in there because who knows if the bank's records are really right and if all the checks have cleared yet. That is the kind of situation we are dealing with, you just do not know.

Mr. HASTINGS. Well, it is interesting to contrast what you said with what the three gentlemen that followed you said. I hope that that is being worked on and I think there is some confidence that maybe that can be taken care of. Again, the earlier testimony was that everything is in place, the structure is in place, it just has to be worked out. I certainly hope it is.

Ms. CALBOM. Oh, and I would agree that progress is being made, and in fact, we have got a body of work ongoing where we are looking at the steps that are being taken. I guess I am speaking historically what has been going on and how things got into such a mess. I have a responsibility for financial management issues for 10 different Federal agencies and Forest Service is by far the worst and I think the problems do go way back historically. I am happy to hear that the efforts are getting down to the grassroots at this point, but it was a lot of years that went by where nobody was keeping the checkbook. So it takes time for those situations to get corrected.

Mr. HASTINGS. Thank you. Mr. Stewart, you said so much and I do not know really where to start, but I do want to make this observation and see if you can respond to me and then I will ask you some other questions.

According to testimony we heard earlier, the people involved in timber sales and costs of timber sales within the agency has increased, yet timber sales have just decreased dramatically. In Okanogan alone it was 50 percent by the data that Mr. Gehr had, I think it is in excess of 60 percent. Why should the costs be going up when timber sales are going down, revenues are going down?

Mr. STEWART. It is like many things, a number of factors. I would say one of them is for a number of years we had a work force that was tied to the larger timber sale programs. So we had probably more people than we needed and the salaries and space associated with them, it took us a number of years to adjust to that. There probably is an economy of scale issue at some point. You need a certain size organization no matter how small your—as long as you have a timber program, you need a certain size organization. And the larger—you can add more volume before you have to add more people up to a certain point, then you have to increment up. We are probably somewhere around that point.

The opportunity to adjust costs in the program, for instance, space costs and so forth, have been limited. There is something else that struck me about—oh, just the cost now of doing the job, take the people that are under the Northwest plan, for instance: Before you can begin any activity in a watershed, you have to do an assessment in the watershed. That is something we did not have to do a few years ago. That assessment will lead to activities other than timber sales, to be sure, but nevertheless, insofar as you are going to do a timber sale, it probably will be accounted for as part of that cost.

So some of the planning, the broader scale planning that we now do costs more. In fact in many cases, as a result of the planning, we find in order to meet very desirable national environmental objectives including Endangered Species Act, Clean Air Act, Clean Water Act and so forth, we end up scaling the volume down, even though we spent more in preparing for the sale, the actual volume we can get out of it after we mitigate for various environmental objectives may result in a smaller volume. So there are a number of factors—economies of scale and the upfront planning and all that goes into getting a sale out in today's environment.

Mr. HASTINGS. Let me ask you to do something for me. You heard, I assume, the testimony of Mr. Gladies when he was here. I do not know if you have read his testimony at all.

Mr. STEWART. Have not had a chance to read it yet.

Mr. HASTINGS. Well, I hope that you do. In fact, I am going to ask you to do that, because he has a number of graphs and I asked him after the IG report, if he was satisfied with the numbers and he said yes and no, because his industry tracks it fairly well and he feels confident of the numbers.

What I would like to ask of you is to take his testimony, look at the graphs that this private association has come up with, and get back to me and the committee, with the permission of the chairman, with your response to his graphs.

Mr. STEWART. Sure.

[The information referred to follows:]

Enclosure H
(page 161, line 5673)

United States Department of Agriculture | Forest Service | Washington Office | 14th & Independence SW
P. O. Box 96090
Washington, DC 20090-6090

File Code: 1510/2400

Date: DEC 7 1998

Honorable Richard (Doc) Hastings
U.S. House of Representatives
1323 Longworth House Office Building
Washington, D.C. 20515

Dear Congressman Hastings:

This letter has been prepared in response to your request at the July 9 field hearing in Wenatchee, Washington. During the hearing you requested that the Forest Service read Mr. Gladics' testimony, look at his graphs, and respond to each graph.

Our review of Mr. Gladics' testimony and graphs indicates that the information he presented was essentially factual. However, in several instances we disagree with the inferences that he drew from these data. Our concerns are highlighted below:

On page 2 of his testimony, in talking about the implications of graph 2, the following statement is made: *"Conflicting laws and regulations, confused by legal challenges, have increased the total cost of the agency, as well as the number of federal employees needed to carry-out management on our National Forests."* While it may be true that legal requirements, and evolving judicial interpretations of these requirements, have added to the Forest Service's costs and staffing needs, we feel it is inappropriate to suggest that these have been the only relevant factors. In our judgment, other variables, in no way related to conflict or dissent, have also impacted agency costs. Indeed, we believe that in many instances these other factors have had a more profound effect than those mentioned by Mr. Gladics. Illustrative would be our ongoing effort to fully integrate the latest scientific knowledge into our everyday management of the national forests. While such integration may lead to higher costs, we believe the resultant benefits, in terms of improved resource management, more than compensate for these cost increases.

On page 3, in talking about the implications of Graph 1, the following statement is made: *"While recreation is slowly improving, the timber sale program has generated between 90 and 98 percent of all receipts on an annual basis for the last 50 years."* While it is true that timber sale receipts have traditionally accounted for the vast majority of national forest receipts, it is somewhat misleading to suggest that these revenues have consistently represented over 90 percent of all revenues. This statement is only valid if one ignores those receipts which are generated from Forest Service managed lands but subsequently transferred to either the Department of the Interior or the Department of Energy, e.g., power licenses, mineral leases, and receipts from the Oregon and California (O&C) Grant Lands. If these other receipts are considered, in FY 1997 timber sale revenues accounted for only 68 percent of all Forest Service receipts.

On page 4, not in reference to any particular graph, the following statement is made: *"Congress has urged the Agency to develop an All Resource Accounting system for nearly a decade and the Forest Service has resisted this approach."* In our opinion, this statement is only partially true. The statement is factual in that the Conference Committee Report that accompanied the FY 1988 Interior Appropriations Bill did instruct the Forest Service to develop an All Resources Reporting (ARR) system; however, we feel it is incorrect to assert that the Forest Service has resisted complying with this direction. Since the late 1980's, the agency has actively sought to complete ARR. Indeed, for the last several years a family of report statements, including a financial statement, has been developed for every national forest resource program and administrative unit - and presently the agency is trying to extend the system to its State and Private Forestry, and Research programs. The technical difficulties associated with this effort have been formidable, and have hampered advancing the system to a point where the agency feels comfortable with releasing the data for external consumption. One problem has been the inability, as required by existing federal standards, to apply accrual accounting concepts to all the agency's programs. Implementation of the agency's ongoing financial reform initiatives will overcome this as well as other problems. When this occurs, the agency plans to phase-out TSPIRS in favor of a comprehensive managerial cost accounting system which may be ARR, or some variant thereof.

On page 7, in talking about the implications of Graphs 3, 4 and 5, the following statement is made: *"There is only one conclusion which can be drawn from this Forest Service data. This is that the Forest Service has complied with the law and the forest plans and **have not over harvested**."* In terms of trying to determine what constitutes an acceptable level of timber harvesting, it is our feeling that current law requires that we consider more than just the probable relationships between cut, growth, mortality, and resultant growing stock levels. Specifically, the law requires that we consider how any given level of timber harvest is likely to affect important nontimber resources such as threatened and endangered (T&E) species. Our data indicates that the harvesting reductions that the national forests have experienced in recent years are, for the most part, attributable to these types of considerations. The problem is not that the agency could not sustain a timber output level in excess of our current harvest levels; the problem is that it is unclear that we would also be able to sustain the production, at acceptable levels, of other desired benefits. In concept, the Allowable Sale Quantity (ASQ) shown in forest plans should be adjusted to account for any constraints imposed by important nontimber resources, but because of the incremental manner in which change tends to occur, sometimes adjustments are not made in a timely manner.

On page 9, in talking about the implications of graph 7,[1] the following statement is made: *"Examination of the TSPIRS data for the last decade shows that it costs the Forest Service about the same amount to produce 3.8 billion board feet of timber than it used to cost them to produce 11 billion board feet of timber."* In our judgment, this statement is misleading in that it suggests that the volume of timber produced is the only important accomplishment of the national forest timber program. As documented in the last few TSPIRS reports, the focus of the national forest timber program has been changing. Specifically, the program has been shifting away from an emphasis on fiber production towards an emphasis on using timber harvesting as a tool to achieve various land

[1] The total revenue and total cost data shown in graph 7, for FY 1996, are incorrect. The agency actually reported a loss of $14.7 million for that year, but the graph suggests that a profit was made.

stewardship objectives such as improving forest health, reducing forest fuels, and creating desired habitat conditions. Sales of this latter type, what we call "stewardship purpose sales" in TSPIRS, are typically less profitable than those undertaken primarily for fiber production purposes; this is because the timber they contain is dictated by the management objectives to be achieved, and not by commercial value considerations. Such sales provide very real public benefits, however, and in our estimation the value of these benefits far outweighs the costs that are incurred to realize them. In talking about stewardship purpose sales, it is also important to recognize that they are frequently the "least net cost" means of attaining the desired land management goals. This is because the other measures that might be implemented to manage the existing vegetation; e.g., prescribed burning, use of chemical herbicides and pesticides, and mechanical treatments, such as cut-and-leave, do not generate any revenue to help offset their application costs. The bottom line is that fiber is no longer the principal output provided by the national forest timber program; thus, it is inappropriate to relate the program's total cost to this single benefit.

On the bottom of page 9 and top of page 10, in talking about the implications of graph 7, the following statement is made: *"This relationship can be seen in almost every Forest Service region and suggests that the Forest Service has either not found ways to cut costs, or the press of new laws, legal decisions, and administrative policy has exponentially increased costs."* In our opinion, this statement is inaccurate in several respects. First, we feel it is unfair to imply that the Forest Service has not sought opportunities to improve the efficiency of its timber program - or that if it has, it has been ineffectual. The fact is that the agency has aggressively sought opportunities to improve timber program efficiency and reduce costs. These efforts have been documented in at least two reports,[2] and some steps have even been monitored by the General Accounting Office.[3] Secondly, we feel it is inappropriate to suggest that the agency's apparent inability to reduce its timber program costs is due to "the press of new laws, legal decisions, and administrative policy." As the last several TSPIRS reports have noted, in recent years timber program costs have been affected by a broad array of factors, many of which are traceable to the program's declining size as measured in terms of the volume of timber being produced. This leads us into our last concern, which was alluded to earlier. This is that the agency's apparent inability to reduce timber program costs - even though the volume of timber being produced has fallen dramatically - is, to a considerable degree, not a result of agency inefficiencies - but the fact that the timber program is now being used to provide a markedly different mix of outputs than was produced in the past. Previously, the program's primary purpose was to produce wood fiber. Nowadays, the program's primary purpose is to provide such things as healthier and more fire-resistant forests, and habitat conditions that are suitable for a wide variety of wildlife.

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[2] See either of the following: 1) USDA Forest Service, 1993, *Timber Cost Efficiency Study-Final Report*, Washington, DC, 140p.; or 2) Liggett, C. et al., *Timber Program Issues: A Technical Examination of Policy Options*, USDA Forest Service, Washington, DC, 301p.

[3] See: US General Accounting Office, 1994, *FOREST SERVICE - Status of Efforts to Achieve Cost Efficiency*, GAO/RCED-94-185FS, 18p.

On page 10, in talking about the implications of graph 6, the following statement is made: "*In eight short years the agency has doubled its overhead rate in the timber sale program. This means that less management is occurring on the ground and more Forest Service employees are becoming increasingly dependent upon the funds authorized to prepare timber sales, or funds generated by the timber trust funds.*" Our concerns about this statement are threefold. First, it suggests that overhead costs - which include the costs of line management, program support (e.g., budgeting, contracting, accounting, etc.), and common services (e.g., rent, utilities, communications, etc.) - are somehow not essential to getting work done on the ground. We feel this is not the case. Secondly, the statement fails to recognize that the Forest Service substantially revised its definition of overhead costs in FY 1993. Program support, the TG(4) code, was enlarged to include "program management;" and Common Services, the TG(5) code, was added. Because of these changes, the agency's overhead costs for the period up through FY 1993 should not be directly compared to those for later years. Lastly, the statement fails to recognize that many overhead costs, e.g., line officer salaries, rents, utilities, and communications, tend to be relatively fixed. The importance of this fact is that as the total costs of the timber program have declined, it was inevitable that these relatively fixed costs would become a greater proportion of the total costs. These arguments should not be interpreted to mean that the Forest Service is indifferent to the issue of overhead costs. However, we feel that before we can determine what constitutes an acceptable level of overhead costs, we must first agree on what functions and/or activities represent such costs.

On page 12, in talking about the implications of graph 8, it is suggested that the nontimber users of national forest roads - especially recreationists - are not paying their fair share of required road maintenance costs. Without taking a position on the merits of this issue, we would offer two observations. The first is that the maintenance charges imposed on commercial users, such as timber purchasers, are calculated to be commensurate with their actual usage. The second is that loaded log trucks clearly have a much greater potential to cause road-related wear and tear than the typical recreation vehicle, which is a standard automobile.

Concerning graphs 9 and 10, which appear on pages 14 and 15, while we concur with the basic point Mr. Gladics is making, i.e., that the employment, income, and tax effects of the national forest timber program could be increased if current harvest levels were to be expanded to the ASQ levels shown in existing forest plans - we feel it is important to place at least one qualifier on the conclusions which he draws. This qualifier relates to the possibility that as the volume of national forest timber being annually sold and harvested has declined, to some extent the diminished economic impacts that can be directly attributed to this reduction in federal activity may have been offset by increased harvesting from private forest lands. Of course, this compensating effect need not always occur within the same geographic areas that were affected by declining federal timber harvests; for example, there is some evidence that decreased federal timber harvests in the Pacific Northwest have lead to increased private timber harvests in the South. In the opposite vein, there is also some evidence that lower national forest timber harvests have caused increased wood imports from Canada - especially of softwood lumber. This evidence supports Mr. Gladics' assertions. Finally, one last point concerning graphs 9 and 10 is that while the data taken from TSPIRS appear to be correct, we were unable to reproduce the "potential" economic activity figures displayed in the two charts. We attempted to reproduce Mr. Gladics' estimates using the following two-step process:

1) dividing the total income and tax figures reported in TSPIRS by the total harvest volume for each year, thereby yielding an impact per unit volume; and 2) multiplying the impact per unit volume by the total allowable sale quantity for all existing forest plans - but this process did not lead to the same estimates.

On the bottom of page 17 and top of page 18, in talking about the implications of graph 11, the following statement is made: *"No private or State land manager could survive in today's competitive market place if their overhead rates were growing at 2.25 percent per year and consumed nearly 30 percent of all funds made available by timber trust funds."* As noted earlier in responding to Mr. Gladics' observations concerning graph 6, the Forest Service revised its definition of overhead costs in FY 1993, substantially broadening the array of costs included under this umbrella. For this reason, the agency feels strongly that it is inappropriate to compare its overhead costs for FY 1993 and earlier years to the overhead costs it has experienced in later years. Indeed, it is our belief that full compliance with the new overhead definitions took more than 1 year to achieve, and that consequently it is best to consider just the trend since FY 1995. Over this narrower time interval the trend has still been upward, but clearly the biggest increase in overhead costs occurred between FY 1993 and FY 1995. As a final point, we would note that it would probably be best to analyze this trend in constant dollar terms, i.e., net of the effect of inflation.

We hope this letter has addressed your concerns. Should you need additional information contact Thelma Strong at 202/205-0580.

Sincerely,

RONALD E. STEWART
Deputy Chief
Programs and Legislation

Enclosure

I. Introduction

My name is Frank M. Gladics I am President of the Independent Forest Products Association. Our offices are located in Beaverton. Oregon and we represent companies in 13 Western and Upper Midwestern States who depend on public timber sales. including those offered by the United States Forest Service. for their survival. Most of the volume sold by the U.S. Forest Service (70 %) is purchased by companies like those who belong to IFPA. In Washington State we represent companies like Vaagan Brothers Lumber in Colville: Summit Timber Company from Darrington: Barbee Mill Company from Renton; Buse Timber and Sales Inc. from Everett: Dahlstrom Lumber Company from Hoquiam: Great Western Lumber Company from Everson: Pacific Lumber & Shipping Company in Randell and Packwood Washington: Delson Lumber Company from Olympia: Seattle-Snohomish Mill from Snohomish: and Welco Lumber Company from Marysville. Many of these companies purchase federal timber from the six National Forests in Washington State. as well as several in Idaho and Oregon. I want to thank Chairman Horn and the Subcommittee members for allowing our organization to testify at this hearing.

Perhaps more than any other user group we believe the Forest Service has a duty to manage the forests entrusted to them in a cost efficient and sustainable manner. We have always embraced multiple-use management in its strongest sense and believe this Committee should work to understand how important sound forest management is to the financial well being of the Forest Service. as well as the financial well being of the communities which depend on healthy forests for their economic and social well being. It is vital for you to understand the importance of sound forest management before embracing the political agenda of the environmental industry groups like the Earth Justice Defense Fund. the Forest Service Employees for Environmental Ethics. or Free the Forests. We believe you should take the time the learn what is happening on these lands and what potential these lands have to help support the economic well being of rural

America before going off willy-nilly on a political agenda which feels good but which irreparably harms our forests and our forest communities.

II. Will Congress Fund a $3.3 billion Agency Which Doesn't Sell Any Timber

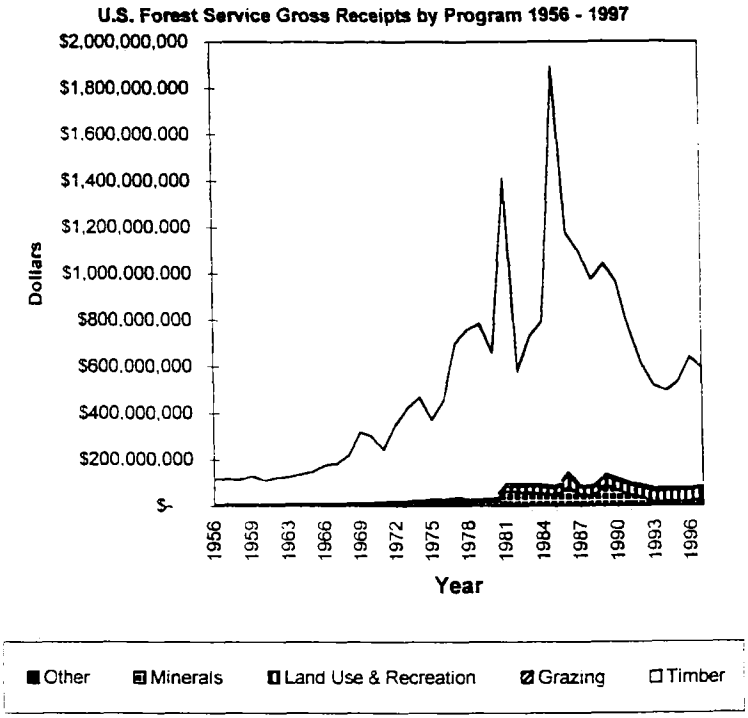
Today the U.S. Forest Service is a $3.3 billion operation entrusted to manage assets that are worth hundreds of billions of dollars. Yet their accounting system is so underdeveloped that the agency routinely loses track of millions of dollars worth of Congressional funding and assets. Despite their shortcomings, it is an undisputed fact that the timber program has generated hundreds of millions of dollars used by the Forest Service to undertake the management called for in the forest plans which otherwise would have had to been appropriated by Congress. Without these revenues Congress would have to find alternative funding for the agency or change the mission and staffing levels of the Forest Service.

Many of the 38,000 employees who now work for the agency couldn't be employed without the revenues generated from the sale of timber and the timber trust funds which help finance management on the forests. As Graph Two shows, the Forest Service, up until 1974, produced more revenues from the sale of timber than Congress appropriated for the agency's use each year. Conflicting laws and regulations, confused by legal challenges, have increased the total cost of the agency, as well as the number of federal employees needed to carry-out management on our National Forests. This Committee must consider where the money to maintain the Forest Service will come from if 20% of the Forest Service's operating funds are taken away. In 1997 approximately 20% of the Forest Service's overall expenditures were funded from the timber trust funds or appropriated for timber sale preparation and administration.

While many complain about the cost of management of the timber resource, they should also take a close look in the mirror and examine the cost of the non-timber programs to see how much revenue these programs produce versus how much money Congress appropriates each year to maintain these programs. The simple fact is, the

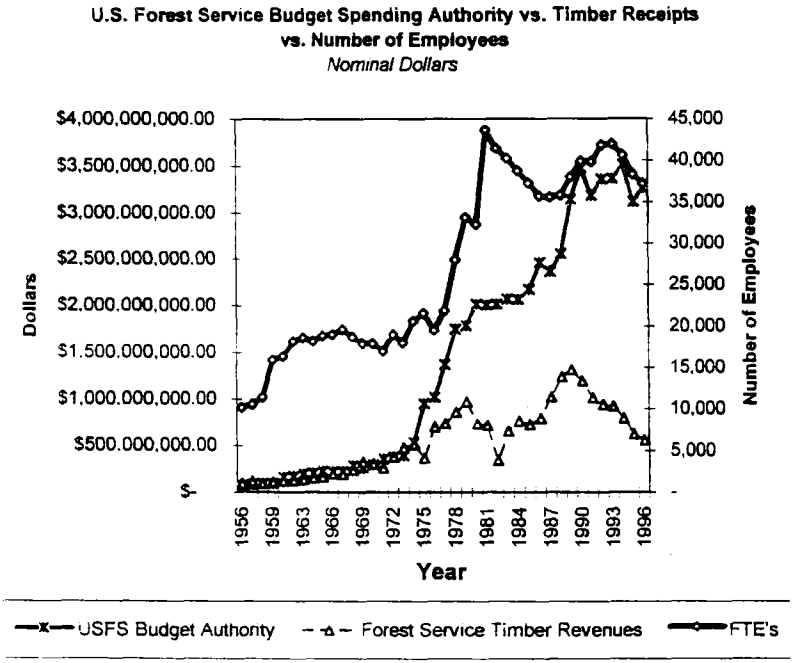
Forest Service spends far more money than it returns to the U.S. Treasury on virtually every program and resource they manage. Groups like the Forest Service Employees for Environmental Ethics, represented in these hearings by Mr. Andy Stahl, should take a good hard look at how many Forest Service employees would be permanently laid-off if the timber trust funds, or appropriated timber sale funds are eliminated.

Graph One



Graph One displays which programs have generated the most gross receipts for the Forest Service over the years. While Recreation is slowly improving, the timber sale program has generated between 90 and 98% of all receipts on an annual basis for the last 50 years.

Graph Two



IFPA supports all efforts to make the agency's accounting system more accurate, transparent, and all encompassing. It is likely that you have heard, or will hear in today's hearing, many comments on the Timber Sale Program Information Reporting System (TSPIRS). Many will suggest that it underestimates costs and overstates benefits. While TSPIRS is far from perfect, the timber sale program is the only program, in any of the resource agencies, which has refined its accounting to this level. IFPA urges this Subcommittee to demand the Forest Service develop similar accounting systems for all the activities it is tasked to perform. Congress has urged the Agency to develop an All-Resource Accounting system for nearly a decade and the Forest Service has resisted this approach. We welcome the support of this Committee to make the Forest Service more accountable for the funding it spends.

In 1996 the Forest Service estimated that it would require $75,000 per employee if they were forced to undertake a reduction in force (RIF). If Congress or the Administration decides that the Forest Service shouldn't sell timber, the agency will have to either: (1) find the funding needed to RIF approximately 7,600 Forest Service employees which would cost the government approximately $570 million; or (2) convince this Congress to increase Forest Service appropriations by more than $700 million to make up for lost revenues.

Despite their checkered accounting records we believe it is important that the Subcommittee on Government Management, Information and Technology understands how important the Forest Service's timber sale program is to meeting the agency's multiple-use goals. As well as how important it is to rural communities for the Forest Service to practice forestry on these lands to ensure the forest health of these lands.

III. What is the Mission of the Forest Service

To put this data in context, given the rather confused and inaccurate description of how the Forest Service's mission has changed over the last several years in the Subcommittee's announcement for this hearing, I would like to review a few of the laws which remain on the books today. The first is the Organic Act of 1897 (16 U.S.C. 473-475, 551) which says:

"No national forest shall be established, except to improve and protect the forests within the boundaries, or for the purpose of securing favorable conditions of water flows, and to furnish a continuous supply of timber for the use and necessities of citizens of the United States ..."

The second is much more recent. In fact, it is the most recent Congressional statement concerning how forest lands, including federal forest lands, will be managed. I hope that this Committee will take the time to understand how the various laws interact, rather than picking and choosing only those which support the political agenda of those

who would prefer to see timber harvesting end on federal lands. The Resource Planning Act of 1980 (P.L. 96-514, 96 Stat. 2957) says:

*"**Section 8 - Statement of Policy** - Basic Policy (1) forest and rangeland, in all ownerships, should be managed to maximize their net social and economic contributions to the Nation's well being, in an environmentally sound manner; (2) the Nation's forest land, except such public land that is determined by law or policy to be maintained in its existing or natural state, should be managed at levels that realize its capabilities to satisfy the Nation's need for food, fiber, water, soil stability, wildlife and fish, recreation and esthetic values; (3) **the productivity of suitable forest land**, in all ownerships, **should be maintained and enhanced to minimize the inflationary impacts of wood product prices on the domestic economy and permit a net export of forest products by the year 2030**; (4) **in order to achieve this goal**, it is recognized **that** in the major timber growing regions **most of the commercial timber lands will have to be brought to and maintained, where possible, at 90 percent of their potential level of growth, consistent with the provisions of the National Forest Management Act of 1976 on Federal lands**, so that all resources are utilized in the combination that will best meet the needs of the American people." (emphasis added)*

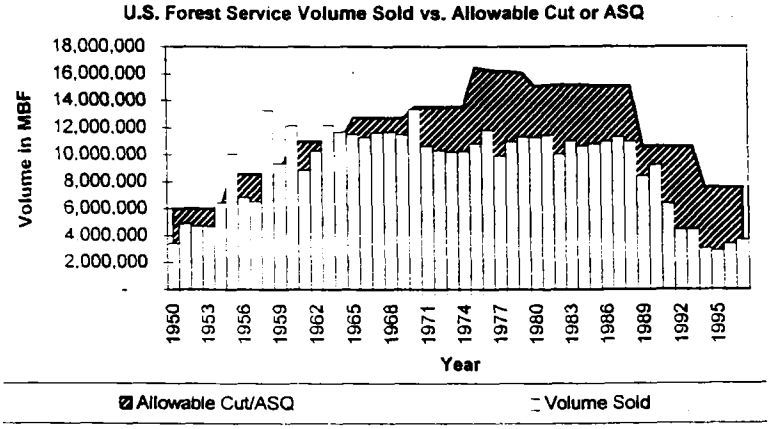
IFPA believes this Administration's responsibility is to enforce the laws as prescribed by Congress. If Congress, or this Committee, believes that the mission of the Forest Service or any other resource agency should be changed then they should introduce legislation, hold hearings, and change the law. Short of that, it is both counter productive and legally suspect for this Administration to attempt to change the mission of the Forest Service orders outside the legislative process. In many instances, Chief Dombeck's Forest Service and this Administration are doing just that. Some of the people who testified Tuesday in Los Angles, and some who will testify today, will ask you to change the basic laws and policies of the Forest Service without first passing new authorizing legislation. That is wrong and should be resisted.

IV. Are our National Forests Being Over Harvested?

Many of the people in these hearing will tell you that our National Forests have been over harvested and that they are biologically in trouble. They will suggest that record harvests of the 1980s forced the draconian reductions in the timber sale program which local communities have suffered in the 1990s. By every realistic measure these

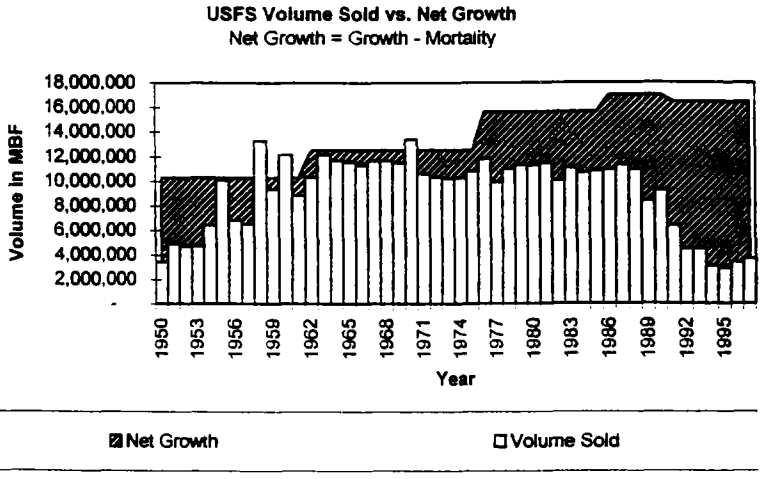
statements are at the very least disingenuous and many times are out and out total fabrications. The only way to asses whether or not our forest have, or are, being over harvested is to examine how much timber the forest plans recommended be harvested. Then examine how much new net growth is being added to our National Forests each year compared to how much is being removed through timber harvesting. And finally look at how much dead and dying timber is being added to the National Forest each year. The next three graphs examine a nearly 50 year history of how our National Forests have been managed. There is only one conclusion which can be drawn from this Forest Service data. That is that the Forest Service has complied with the law and the forest plans and **have not over harvested**. Additionally, this data strongly suggests the Forest Service's failure to manage the new growth which is being added each year to our National Forests is endangering the very forests they've been entrusted to protect.

Graph Three



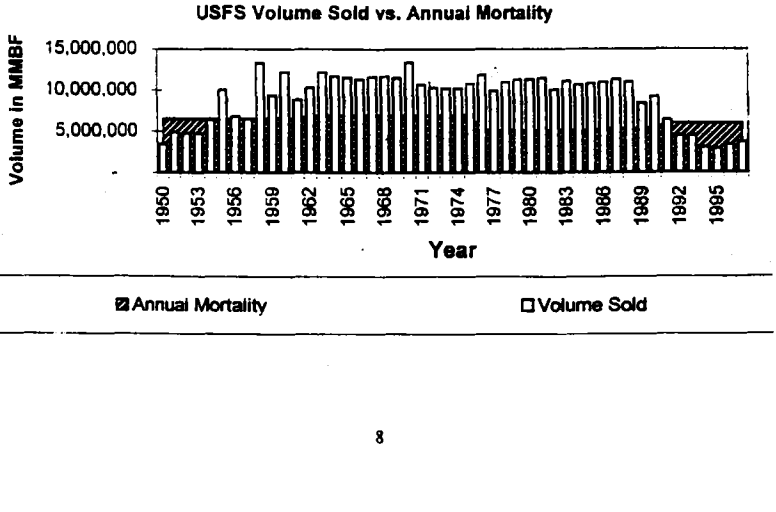
Over the last 50 years the Forest Service has never violated the decadal limits established by their timber management plans or their new NFMA forest management plans. It is also interesting to note that despite near record demand for soft wood products in this country the Forest Service is selling less timber today than it did in the early 1950's.

Graph Four



As you see, past management on the National Forests has increased annual net growth by nearly 80% in the last 50 years. That means our forests are adding 16 billion board feet of timber each year while we have only been harvesting about 3.8 billion board feet per year in recent years. This growth level could supply over 75% of the building material needed to meet our country's demand for all new housing each year.

Graph Five



Graph Five displays a problem which worries many western communities. Over six billion board feet of dead timber is being added to our National Forests each year. While less than 2 billion board feet of dead timber is being salvaged each year. This additional 4 billion net board feet of additional fuel results in an increased number of fires, as well as fires that burn much more intense. It is important to understand the true effect of these intense fires. Spotted Owls, wolves, elk, and other creatures which depend on forest cover are killed or displaced by these fires. The soil productivity is damaged and in many instances forest cover is removed and will not be replaced by the tree cover desired by the recreationists for four or five decades.

On the Wenatchee National Forest, just north and west of where you sit today, over 300,000 acres burned in 1994. Tens of millions of dollars were expended in attempts to put these fires out. If the Wenatchee had been able to use those funds to carry out needed forest management they would have generated many more benefits for the American public. There is no worse below cost activity which occurs on our National Forests than fire fighting. Twice in the last decade our resource agencies have expended over a billion dollars in one year to fight fires with little to show but the burnt destruction of important wildlife habitat.

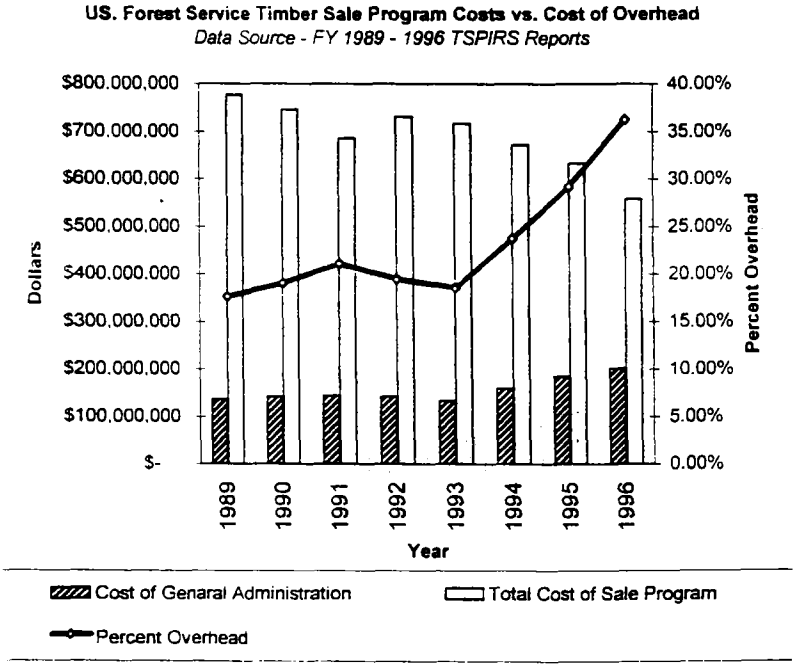
V. **What About Below Cost Sales?**

Examination of the TSPIRS data for the last decade shows that it costs the Forest Service about the same amount to produce 3.8 Billion Board Feet of timber than it used to cost them to produce 11 billion board feet of timber. Graph Seven shows that costs have not fallen at the same rate that timber sale revenues have. There are two reasons for the dramatic reduction in revenues. First, the Forest Service is selling less timber than it used to. Second they are selling far less high value sawtimber today than they were in the late 1980's. In the late 1980's over 80% of the volume sold by the Forest Service was high value sawtimber. Today the ratio of sawtimber to low value non-sawtimber has fallen to less than 55%. This has direct and dramatic impact on the amount of revenue generated by the timber sale program. This relationship can be seen in almost every Forest Service

region and suggests that the Forest Service has either not found ways to cut costs. or the press of new laws. legal decisions. and administrative policy has exponentially increased costs.

There is another very disturbing trend which this Committee should be aware of. Namely that the amount of overhead needed to produce the Forest Service timber sale program is increasing at a frighteningly rapid rate. Graph Six shows this dramatic increase. In eight short years the agency has doubled its overhead rate in the timber sale program. This means that less management is occurring on the ground and more Forest Service employees are becoming increasingly dependent upon the funds authorized to prepare timber sales. or funds generated by the timber trust funds.

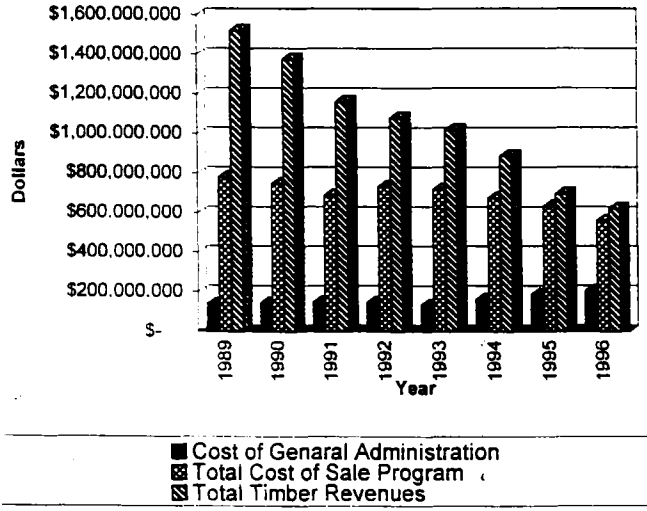
Graph Six



There are efficiencies of scale which must be recognized by Congress. You cannot ask the Forest Service to sell 60% less timber, maintain nearly the same number of employees, increase their costs of preparing the sales by placing increasingly complicated processes on the Agency without negatively impacting the economic viability of the program. Graph Seven displays what has happened to revenues and costs as a result of decreased timber sale authorizations from Congress multiplied by constant litigation by the environmental industry. You'll note that total number of dollars spent to prepare the sales has remained the same while total revenues have dropped precipitously.

Graph Seven

USFS 1989 - 1996 TSPIRS Timber Program Revenues vs. Costs. vs. General Administration (Overhead)



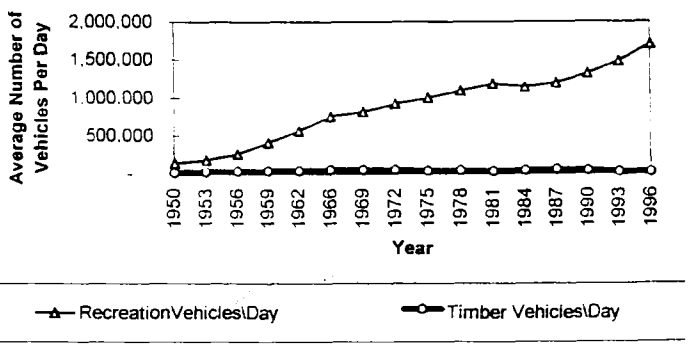
If Congress places the unrealistic expectation on the Forest Service, that its timber program must make money, then IFPA urges this Committee to demand that each Forest Service program be held to that same standard. Over the years the Forest Service has financed many of programs on the back of the revenues generated by timber. Congress,

too is guilty of paying for non-timber activities through the timber sale program. A perfect example of this is road maintenance.

Over the last fifty years road maintenance was accomplished through the maintenance requirements in the timber sale contracts and through appropriated dollars which Congress authorized. On average the timber sale purchasers provided 40 to 50 percent of the total cost of maintenance for each of the last fifty years. Yet timber related traffic was only a small fraction of the total road use. Recreation based traffic constituted 91% of all traffic in 1950. Today recreation based vehicle use of National Forest roads constitutes 99% of the traffic load. Neither the Forest Service recreation programs, nor the recreationists who use the roads, were or are required to help pay for this maintenance. When recreationists generated nearly 2 billion vehicle visits per day on the National Forests are paying nothing towards the staggering costs of road maintenance something clearly is wrong.

Graph Eight

Forest Service Road Use



While you're being regaled by the environmental industry who demand further reductions in timber harvesting, ask yourself who pays for the road maintenance on the roads they use to access the trail heads into the Wilderness Areas they all want to visit?

IFPA believes the recreation user fee demonstration program is long overdue and that local governments should benefit from the revenues which are generated. Congress should make the Forest Service pay counties 25% of the gross receipts generated through these programs to the Counties. Further, the fees should be structured to ensure that recreationists pay their fair share of the cost of maintaining the road systems which they use.

VI. Communities and the Federal Government Will Lose if the Forest Service Timber Program is Eliminated

Before addressing the timber trust funds, I would like to make one more critical observation which is often lost in the debate concerning whether or not the Forest Service should sell timber. That is how the program affects communities and generates the taxes which all levels of government depend on for their very existence. Again, I would ask that you focus on the TSPIRS reports for the last eight years. Within those reports [illegible] data related to how much economic activity is generated as a result of the timber program, as well as how much federal income taxes are generated as a result of the program. The next two graphs display how much economic activity was generated each year and compares that with what could have been generated had Congress fully funded the existing forest plans and demanded that the Forest Service sell the timber volume those plans called for.

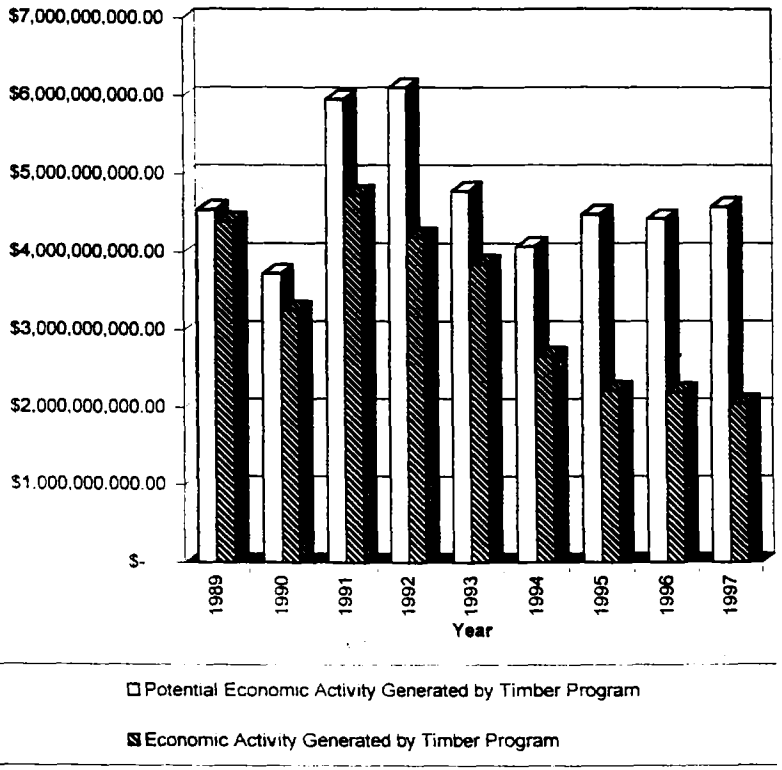
Graph Nine examines the total economic activity generated by the Forest Service timber sale program. As you can see it has been as high as $4.5 billion but is now down to only $2 billion. But could be as high as $4.5 billion again if the forest plans were fully funded. This could occur despite the nearly 30% reduction in planned timber harvesting allowed in the most recent forest plans. There are approximately 2,000 rural counties in this country which are heavily dependent on this economic activity. Congress should not forsake those communities at the alter of the environmental industry.

For those who might be fiscal conservatives, Graph Ten shows how much federal income tax is, and could be, generated by the timber sale program. You should be asking

yourself who is going to make up for the $309 million of federal income taxes generated by this program. More importantly you should think about the $710 million of federal income taxes which could be generated if the forest plans could be fulfilled.

Graph Nine

U.S. Forest Service 1989 - 1997 TSPIRS Potential Economic Activity vs. TSPIRS Estimated Economic Activity

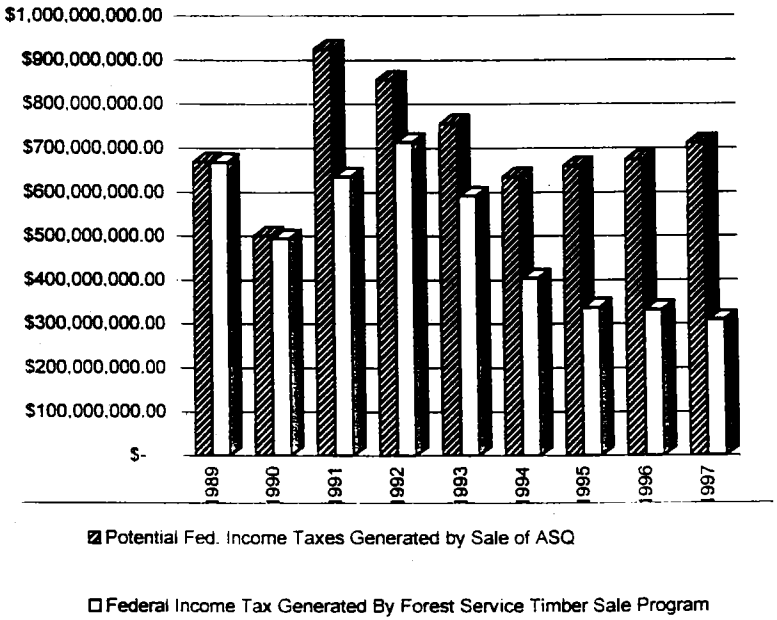


Understanding that many of the members of this Subcommittee come from suburban and urban Congressional Districts we would ask you how your constituents would feel if the rural Representatives suggested shutting down a federal program which

generated between two and four billion dollars of economic activity in your Districts? We urge you to look beyond the propaganda of the conflict industry and to think about the health of our forests and communities.

Graph Ten

Federal Income Taxes Generated Through Forest Service Timber Sale Program
Actual TSPIRS Results vs. Potential Taxes Generated if ASQ Were Sold



This Administration, as well as the past four or five Congresses, have missed a real opportunity to fund a program that would have generated significant amounts of economic activity in rural communities. It would also have generated significant Federal income taxes. And would have helped to maintain and enhance healthy forest conditions of our

beloved National Forests. Please don't ignore these benefits while you dither over the inability of the Forest Service to run in an efficient manner.

VII. Increasing Overhead Charges Against the Timber Trust Funds Is a Problem

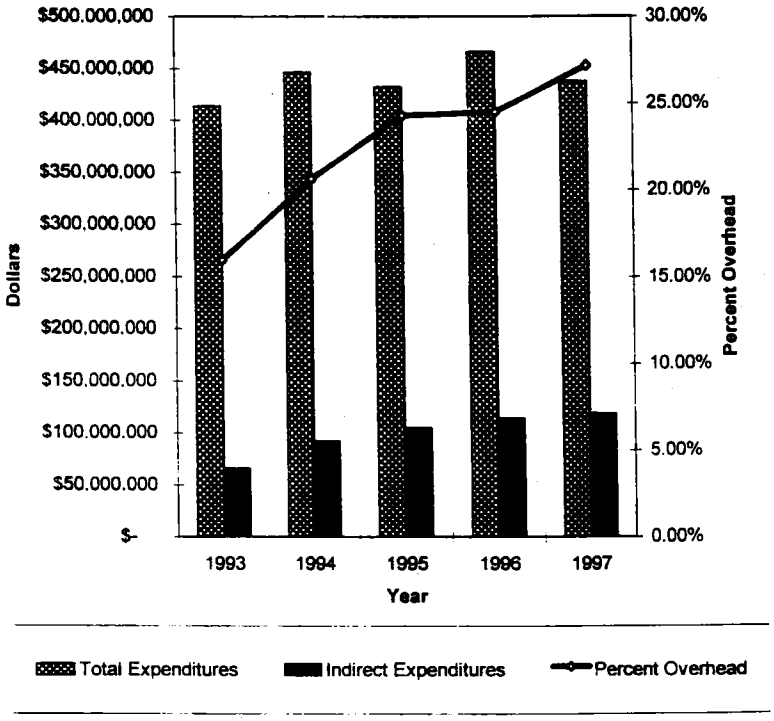
Despite Mr. Stahls complaints about whether or not the Knutson Vandenberg Trust fund should be tapped for overhead to pay for personnel located in the Washington Office and Regional Offices, this Committee should be concerned with the exponential rate of overhead growth in all the timber trust funds. While we agree with Mr. Stahl that these funds should be spent in the field, we think it is unrealistic to expect the agency to run without using funds from all their programs to help pay for their operations. We hope that the authorizing Committees of this Congress will closely examine each Forest Service program to understand how much funding is really reaching the District level where the on-the-ground work is getting done. In this light, we support Representative Bob Smiths bill H.R. 4149, and language in the FY 1999 Senate Interior Appropriations Bill which will force the Forest Service to clearly articulate how much money is spent on overhead from each program.

There is little doubt, when one examines the current structure of the Forest Service, that it is an agency which was designed during the horse and buggy days that has too many administrative levels for the computer and information age. There is simply no reason that the Agency needs four administrative levels. IFPA has called for Congress to reduce the number of levels within the Forest Service by at least one level for the last five years. We hope that this Committee will seriously consider eliminating Regional Offices as a way to stream-lining the agency and to cut costs.

Another way to save money and cut overhead costs is to contract more of the agencies work out to private contractors who do not require the extensive overhead which the Forest Service seems to think necessary to oversee its employees. Again H.R. 4149 addresses this issue and this Committee should support that bill.

Simply put, the health of our National Forests and many of the rural communities situated in or near the forest depends on active forest management, and timber harvesting is the least costly method of accomplishing this needed timber management. Without this management our forests and communities will suffer.

Graph Eleven



We believe Congress must very carefully examine the increasing overhead rates the Forest Service is experiencing. No private or State land manager could survive in today's competitive market place if their overhead rates were growing at 2.25% per

year and consumed nearly 30% of all funds made available by timber trust funds. This is what has occurred during the Clinton Administration's oversight of the Forest Service. The land and the American public are being short changed.

VIII. **Conclusion**

Chairman Horn, I know this Committee is concerned with the growing cost of producing less and less timber from our National Forests. IFPA and its members hope that Congress will take the time to truly understand why the Forest Service has become so dysfunctional. We believe that some of the blame rests at the feet of this Administration, as well as at the feet of this. and past. Congresses. Do not take the simplistic approach advocated by many in the environmental industry. The problem is much more complex than they would have you believe. The future of our forests depends on environmentally sound and economically reasonable management. The future of the rural communities who depend on sound forest management depend on the $4.5 billion of economic activity which could be generated if Congress would demand these lands be managed as prescribed in the existing forest plans. And finally, the American public shouldn't be asked to assume the cost of walking away from $710 million in Federal income tax revenues which could be generated if the Forest Service would straighten up and meet the commitments it made to the American public.

I appreciate the opportunity to testify before this Committee and request that my remarks, as well as my written testimony be made a part of the formal record of this hearing. I would be happy to answer any questions you might have at this time.

Respectively, Frank M. Gladics President of the Independent Forest Products Association.

Mr. HASTINGS. Now the next question I would like to ask is how soon can you do that? I learned in my short time in Congress that I should ask because sometimes it is never forthcoming. Now how quickly can you get that information to me?

Mr. STEWART. I will certainly try to get that to you in a few weeks.

Mr. HASTINGS. In a few weeks? OK, I would like that. I can eliminate a lot of questions here if you can do that. Every graph that he has in his testimony, if you would respond and give me some remarks regarding that.

Mr. STEWART. I would be glad to.

Mr. HASTINGS. Now to both of you constituents, I want to ask you, both of you testified that the management plans have evolved to an ecosystem management rather than one that was based on sales and so forth. My question to you is I do not recall—I have only been in Congress for 3½, nearly 4 years now—I do not recall Congress making a change in the statute as to what your role is. So how did that evolve from one of let us say timber sales—my words, not yours—into ecosystem management? How did that evolve—either one of you.

Mr. O'NEAL. I believe it evolved from the fact that Congress passed several laws around 1976, something like that, and through time, we interpreted those laws in managing the national forests. We received many challenges to that in the courts. Those laws especially are related to the National Forest Management Act and the viability requirements for all wildlife species and so forth that are in there, the NEPA process, the National Environmental Policy Act process, the Clean Water Act, and the Endangered Species Act. First the agency made these interpretations and we thought we were doing what was required by those laws, and as we were challenged and as we went to court, there was further interpretations of those laws and those heaped on many different additional procedures, like surveying for endangered species or surveying for species that might become extinct on the national forest. Because of that viability requirement, we have to maintain habitat for all viable populations of animals and plant species on the forest. It is just those procedural requirements through these court interpretations continued to be outlined by the courts, and they cost more to do than what we were doing before. And I believe that is the main reason of this change. It was not that the Forest Service decided on its own to change how we were managing the forest. We were responding to the interpretations we were getting from the courts. Also, all of these laws require us to use a collaborative process with the citizens of the United States and we were also responding to what the people were telling us. So I believe that would be my answer to that.

Mr. GEHR. I would piggyback just a little bit further on that. I used a term there—I did not see anybody scratching their head too badly, but I think I mentioned about going from agency base to a broader perspective there, to a watershed base. I think I said all that where the agency is being looked upon to make sure we are the appropriate keeper of the watershed. Now that is not to say that our neighbors, whether that is a State agency or private lands within the boundaries of that watershed, maybe that has been hit

particularly hard with whatever activities might have been there, but I think in the past we had a tendency as a responsible land stewardship agency of just kind of focusing in on the Federal lands there, that is the National Forest System lands within that watershed or within that 400-acre project there, whatever that project might be.

Now, in terms of cumulative effects and just our part of the action, there is a much larger scaled land base out there, is to look further, not that we want to look over and say this is how you need to manage your private lands at all, but to take into account what has happened throughout that watershed and then project what is appropriate for us to be doing in there as compared to just looking at our 400 acres as compared to the other hundreds that are part of that watershed that are not national forest acreage.

Mr. HASTINGS. Well, that is part of the whole debates I guess you would say on this whole interior Columbia Basin, there is some debate on that.

The final question I have is I alluded in my opening remarks to the cost of litigation of timber sales and that is an expected process now for anybody that bids, but my question to you is how much in your respective forests—service area—has litigation costs increased in the last 4 to 5 years? Maybe I should just ask the question, I assume it has increased. Can you confirm that it has increased?

Mr. GEHR. I cannot say on timber sales specific. I mean we have a project up there, without being facetious, that gold mine project, that the prospects for litigation there are rather significant, I would suspect. But looking at it from the general activities over the last half decade—and I have got to say litigation as far as being court proceedings and then also the appeal process.

Mr. HASTINGS. I am talking about litigation, not mitigation.

Mr. GEHR. OK. In this whole maturation process, we are into a mode now where we, particularly over the last year, year and a half, have an opportunity there to enter into some informal resolution attempts. In other words, if we get an appeal, and rather than taking that through a bunch of hoops, maybe there is a possibility of interacting with the appellants and getting a resolution there without having to go through hoops that we have gone through before. I do not want to be pessimistic on that. I will report to you that my personal involvement with that over the last year as we have gotten into it, it is worth the time and effort to give that a shot. To this point, I cannot recall any projects that we have reached informal resolution and kind of got ourselves out of going through some other hoops. But again, that might be a corner that might get turned in a more positive mode. To this point, we have not had a decrease in terms of the time that we are committed to try to resolve a particular appeal.

Mr. O'NEAL. I think on the Wenatchee National Forest, there has been some increase all right, but I do not think that that cost of that appeals and litigation is as significant as the results of the additional interpretation of these various laws that we operate under. So it is more the results of the lawsuits which determined that we were not complying with the law. We have to then go back and do additional things to comply with the law. That is where the big costs are, is in that area.

The appeals and litigation, I do not think is—although it has increased substantially, probably ten-fold, but the total cost of that on the forest is not that big a ticket item compared to some of these other things.

Mr. HASTINGS. Well, of course, if you have declining timber revenues, then that cost becomes more significant, I would assume.

Mr. O'NEAL. Right.

Mr. GEHR. I had one other thing. This would be in the range of the spotted owl now relative to the Northwest Forest Plan, and we may see protocols like that eventually on the east side too, that remains to be seen. But in survey and manage protocols for a number of critters that have not been worked on to that extent yet, there are some costs associated with that, that we have not been involved with before, that have also driven up costs in addition to the other things you have heard. So we are into kind of a pioneering effort there in dealing with some critters we have not before in survey and managing the protocol process.

Mr. HASTINGS. That leads to another question. Maybe I should ask the accounting people. Is there a way that that can be separated out or do you look at that when you look at where the costs are and how the books are balanced? Do you look and see how much is being spent on litigation, for example?

Ms. CALBOM. You know, this is another example of why you do need to keep your books straight. I do not think the records would be very good to indicate that level of detail of the costs that have been spent, to tell you the truth.

Mr. HASTINGS. OK, go ahead.

Mr. MEISSNER. That is absolutely true. The Forest Service has not done as good a job of keeping track of what those costs happen to be, as I think you would like to see. We have constantly reminded them that, one of the things you may want to do is make sure you account for all of these costs, because somebody is going to ask you the question in the future: How much did it cost? So our view is there have not been enough effort to conscientiously account for all of those costs over time. That is where we come from and we have done the actual work out there.

Mr. HASTINGS. It should not take an act of Congress to get that, should it?

Mr. MEISSNER. To me, it seems in their best interest.

Mr. HASTINGS. Right.

Mr. MEISSNER. It is in their best interest to account for those costs as accurately as they can, and not let them get buried. And by buried, I am not—this is not any philosophical issue, it is just allowing the system to not account for those costs in a way that might be in their own best interests.

Mr. HASTINGS. OK, very good. Mr. Chairman, thank you very much for allowing me to sit with you at this hearing and I want to personally thank all of the panelists, including this one here, for their participation today.

Mr. HORN. Well, we appreciate it. We know when you are home in the district, you have got a million things to do and we are delighted you could come and ask such excellent questions.

On that last question, one of the key reasons why financial data is important is the point Mr. Stewart made on the strategic plan

and performance indicators. They should be designed for not simply Congress knowing what you are doing, but for you as managers knowing the choices you have. If there is a particular option, what the costs behind that option will be. The only way managers can be effective and efficient is to get accurate data. I know I have had that attitude myself in terms of let them pull together the pieces after we finish the job and people that are professionals want to get the job done. But if you could get it structured right to start with, you do not have to worry about these things.

Of course, listening to our historians here, several of you over the years, your own experience, it is not easy when you go back and reconstruct where did we go wrong. And I am thinking of W.A. Jump, the great budget director of the Department of Agriculture, probably a legend in the 20th century in Washington, and I cannot believe old W.A. would have let that happen on the financial side, because he was trying to get a decent budget for the Department every year.

So let me ask just a few closing questions with this panel. I know you all have to leave, but one question—Ms. Burke, that represented the cattle interests, noted the checkerboard where the Forest Service land is adjacent to private lands. And I am curious how you feel about land exchanges—well, let us first say does it matter, I guess would be my first question, that private land and public land are next to each other and some are in cattle grazing and some are not. The Park Service obviously gets very bothered by that, usually when they take over something, they want to buy out all the private land. Usually they do not use it for what they say they will use it for, was my experience 30 years ago on the wilderness bill and other things. I was just curious, is that a problem to have this checkerboard nature, as far as you people on the ground see it?

Mr. O'NEAL. We have a lot of the checkerboard on the Wenatchee National Forest because of the number of railroads that went across Wenatchee Forest. It is a good thing to look at those from an administrative standpoint and see whether or not there can be some gains either in the public values that might be coming back to public ownership or saving costs from an administrative standpoint, both between the Forest Service, as the administrator of public land, or usually the timber companies. So we have over the years had several large land exchanges. We are currently involved in working on one with Plum Creek Timber Co. It does have a significant amount of support from the public. It is something that I think does need to be done.

But one thing I would like to note here, to make sure it is understood, that from the Forest Service perspective, any of these kind of land exchanges—our first preference is to do land exchanges before we ever even think about land acquisition because of the cost involved. And then also, it needs to be understood that this is on a willing seller standpoint or willing trader standpoint.

Mr. GEHR. We also like to make sure we have the county commissioners fully involved.

Mr. HORN. Well, we are going to have one county commissioner addressing us in a little while. I think you are wise to realize that the money is not there to start paying for lands, but if you can

work on some reasonable basis where everybody benefits, that is a way to solve those.

Now I am curious if you have any need to rearrange the forest boundaries per se to ensure greater coordination with an adjacent national forest? Does it matter in any of these things? I think a few of you do run into each other's line, do you not? Or does it matter? Is it just not an administrative problem?

Mr. O'NEAL. In some parts of the country, it may be an administrative problem, but as far as this part of the world that we are in, our boundaries are along the watershed boundaries and generally follow the county boundaries as well, and so that works out very well for us to be able to do the coordination that we need relative to the boundaries. So it is not a big issue in our area.

Mr. HORN. What discretion do you as local managers of the forest, have in obligating recreation fee funding? Can the region override you? Do you have to submit a plan to the region, or can Washington override you, or can you just do it?

Mr. O'NEAL. We do submit plans, of course, and keep our region informed, but on the Recreation Fee Demonstration Program, we get the funds back and we have it preplanned basically how we are going to use those funds, because that is part of our business plan that we submit before we actually are authorized to go ahead with the Recreation Fee Demonstration Program.

Mr. HORN. OK. Mr. Gehr.

Mr. GEHR. I might mention too on the Recreation Fee Demonstration Program, that in our case, we had a choice whether we wanted to be a part of that, and quite honestly I would not have wanted to miss the opportunity to be there first-hand and be part of that experience to see what works and what does not work and how that all goes. So that was purposefully thought through and we decided to be a part of it.

Mr. HORN. Just lead me through that fee demonstration project where you take in a fee during the day. What is the rules of the Federal Government in terms of depositing those checks or cash or whatever it is, what happens? Do you have to do it daily or do you have to do it weekly?

Mr. O'NEAL. Generally we make deposits on a daily basis, you know, if there is access to do that, to the banks. Also——

Mr. HORN. So there is a bank account near the forest, or do you ship it in to Seattle?

Mr. O'NEAL. I would have to get some help with that.

Mr. HORN. If we could, I will keep the record open, let us put a little description of where the money goes, because my next question is obviously the Treasury is interested in getting every percent investment they can by putting any cash as fast as they can and gaining overnight points and lowering the national debt.

Mr. O'NEAL. It goes into a specific account identified as Recreation Fee Demonstration Program, also identified as to the area or the national forest it was collected on. So it goes into our cash account.

Mr. HORN. OK. And then that is not pooled then nationally. That money is all used on your forest, that you collect.

Mr. O'NEAL. The plan is for 80 percent of it to come back.

Mr. HORN. Eighty percent, OK, I missed that.

Mr. O'NEAL. At least 80 percent has to come back for on-the-ground activity.

Mr. HORN. OK, so then the 20 percent is in a national pool, or what, how does that work, Mr. Stewart?

Mr. STEWART. I am trying to remember what the congressional direction is, whether it is to be used in the region or whether it can be used nationally, but again, it is to be used for the same purposes as the 80 percent is. It is not for overhead, it is not for permanent salaries or any of those kinds of things, it is actually for projects on the ground.

Mr. HORN. Is there an overhead on this?

Mr. STEWART. No, you cannot charge overhead against those funds.

Mr. HORN. OK. Similar funds we talked about in the Bellflower portion of this hearing, and as I remember, there were about five certainly that we could think of and then the question was how was overhead fixed on those, and I think one figure was given that was 27-percent overhead. And was it just that they were fishing for the 27-percent, or is that the way it came out. You know, we can all plug it in so we get the equation our way, and I just wondered how overhead is established in the Forest Service on some of these accounts, and does that affect the local management. What do you know about it, Mr. O'Neal?

Mr. O'NEAL. Generally, the overhead on the national forest is that we use basically what we refer to as a charge as worked concept. So the overhead in areas where there are common costs like office rent, you would have the office rent for the staff that was working in that particular area charged back as overhead. That is just one example, but it is generally those costs that cannot be broken out and assigned as direct costs.

Mr. HORN. Very good. Any comment, Mr. Gehr?

Mr. GEHR. No, I do not really have anything to add to that.

Mr. HORN. OK, any comments by GAO?

Mr. MEISSNER. Just that there are three indirect costs. The Forest Service really does not define the word overhead, so it does not have a meaning to them, rather they call it indirect costs.

Mr. HORN. Sure.

Mr. MEISSNER. And it is line management, program support and then what they call common services, and the example that Sonny just gave you on rent falls into that common service, but again it is line management, program support and common services. Those three items make up what they call indirect costs.

Mr. HORN. And you say they have the same indirect costs on these accounts?

Mr. MEISSNER. No, what goes into them is the same items, but all five of those accounts have different indirect cost figures.

Mr. HORN. I see.

Mr. MEISSNER. They are all different.

Mr. HORN. Usually, as you know, when you determine indirect costs for research projects under Federal grants, you need a major accounting firm, a university or an institute that is doing medical research to go through and figure the indirect based on the percent of time that people in particular positions of the hierarchy would spend on research. In the case of say MIT or Stanford, they are

probably charging 100-percent indirect on the project. So if they were given $100,000 for program, there is another $100,000 given for indirect. If you are talking about a State university where a lot of these costs are covered, you are talking about more of a 40-percent indirect as opposed to MIT and Stanford's 100 percent. I was just curious if we have any sort of standard within the Federal Government, within agencies, and within an agency, both intra and inter, where we have a really accurate way of figuring out costs on the indirect side. Does GAO issue any regulations on that?

Mr. MEISSNER. Just one piece on that is there are not Federal cost accounting standards and we have been talking to Mr. Stewart to try to move in that direction. Just as kind of a peculiarity of their system, which is not like you just talked about, they define general administration as particular people and not what they do, which I do not think I have ever seen anything like that before in a cost accounting system. So they have assigned certain people and they call them as general administration and they fall in that category, regardless of what they may do. That is a little different.

Mr. STEWART. I will say we do define that every year in the explanatory notes for the appropriations committees. If it would be helpful to you, we can get those appropriate sections to give you some sense of how they are defined.

Mr. HORN. Sure, we will put it at this point in the record.

[The information referred to follows:]

Enclosure I (page 17b line 4064)

FS Handbook

33.64 - Administration Descriptions. Use the following codes and units of measure for Administration activities.

CODE	TITLE AND DESCRIPTION	UNIT OF MEASURE
T	**ADMINISTRATION** All activities of line management, program support, common services, and special activities to account for particular expenditures or obligations.	N/A
TG	Indirect Support Activities Those costs that cannot be readily identified specifically with a single project activity in a feasible manner. The three categories of work activities are: (1) line management (TG3); (2) program support (TG4); and (3) common services (TG5).	N/A
TG3	Line Management Activities related to line officers and associated costs, such as personnel and related costs (salary, travel, vehicle use, training, and secretarial support) for line officer positions. Charge non-personnel related costs (rent, supplies, and so forth) to work activities TG51 or TG52.	N/A
TG31	Line Management, General Administration Activities The salary, travel, vehicle use, and training of line officers and secretarial support positions financed from general administration funds (FSH 1909.13, ch. 40).	N/A
TG32	Line Management, Benefiting Function Activities The salary, travel, vehicle use, and training of line officers and secretarial support positions not financed by General Administration funds (FSH 1909.13, ch. 40).	N/A
TG4	Program Support The costs of coordination, management, and execution of business management, community support involvement, and common service activities. It primarily includes the salary, travel, vehicle use, and training of employees involved with the coordination and management of program support. See FSH 1909.13, chapter 40, for a list of the positions involved with this activity.	N/A

CODE	TITLE AND DESCRIPTION	UNIT OF MEASURE
	Charge non-personnel related costs (rent, supplies, and so forth) to work activities TG51 or TG52. For Fund Code EFFS, Emergency Suppression and Rehabilitation, use TG4, Program Support, to record charges for OWCP and unemployment only.	
TG41	Program Support, General Administration Activities The salary, travel, vehicle use, and training of employees listed as General Administration in FSH 1909.13, chapter 40.	N/A
TG42	Program Support, Benefiting Function Activities The salary, travel, vehicle use, and training of employees listed as benefiting function in FSH 1909.13, chapter 40.	N/A
TG5	Common Services The non-personnel costs associated with providing space and a working environment for employees, such as rental space, utilities, communications, FTS2000, microwave communication facilities, maintenance and service (non-personnel and related) of telephone equipment, radio equipment, and computer equipment, National Finance Center costs, office equipment, mail and postage, office supplies, and forms.	N/A
TG51	Common Services, General Administration Activities Includes the non-personnel costs associated with providing the identified costs in TG5 to general administration personnel as identified in FSH 1909.13, chapter 40.	N/A
TG52	Common Services, Benefiting Function Activities Includes the non-personnel costs associated with providing the identified costs in TG5 to benefiting function personnel as identified in FSH 1909.13, chapter 40.	N/A
TS	Special Activities Activities that account for particular expenditures, obligations, or deposit of funds.	N/A

Mr. HORN. Well, there might be some questions from staff sent to you and we would appreciate it if you could answer them. But I think we have covered the ground pretty well today, and I thank you for your patience in our switching of panels and all the rest of it. I thank our local people for doing a great job. Really we should not be paying you anything for a job like you have got. I mean, you know, you just breathe good air, you look at great sites, it is a spiritual experience. I mean, heavens, you should be paying the Treasury.

Mr. O'NEAL. Now my staff will want my salary now to go to the on-the-ground implementation.

Mr. HORN. We will have a coin box at the entrance to the park and put the supervising ranger's pay and see what we can get there. Thank you, gentlemen, we appreciate it.

Now we are going to have an open microphone session. We are going to take—I will tell you what the ground rules are. The first speaker will be Earl Marcellus, the Chelan County commissioner, and we will give him an extra amount of time, based on his status. Then line up behind him, but I am going to take a 5-minute recess first. I just want you to know of the procedure, and please come to the table for the supervisor, but let us see how many want to get into either making a statement or leaving a statement with us. Just get in line and in 5 minutes we will be back. So we are in recess for 5 minutes.

[Recess.]

Mr. HORN. The recess is ended.

I wonder how many want to leave a statement for the record? I need a count, to know how to allocate time. So if you could line up, the subcommittee clerk will get your name and address and we will be glad to send you a copy of the hearing whenever they are published.

How many have we got there, Matthew, how many people in line?

Mr. EBERT. Nine so far.

Mr. HORN. OK, I am going to give the commissioner at least 10 minutes. I am sure you can use that, as any politician can. Then I am going to divide the remaining 20 minutes among you. So if there are nine of you, it is going to be 2 minutes apiece. You can sit down now, I just wanted a feel for how many are going to—whoever is on Matthew Ebert's list, we will expect to hear a statement from.

And now you pronounce it Marcellus?

Mr. MARCELLUS. Marcellus.

Mr. HORN. Earl Marcellus, the Chelan County commissioner. We are glad to be in your county and glad to have you here.

STATEMENTS OF EARL MARCELLUS, CHELAN COUNTY, WA COMMISSIONER; BONNIE LAWRENCE; JUNE HELBIG; LINDA MARCELLUS; RON RIESTER; TERRY NOWKA; MIKE POULSON; AND MIKE DOLFAY

Mr. MARCELLUS. Thank you so much for coming, we really appreciate this opportunity for you to come and hear the testimony today.

I want to begin by letting you know that Chelan County, like so many other counties, is struggling to balance their budget and provide the essential basic services to keep our communities safe and healthy. Federal public lands comprise over 80 percent of the land mass in our county. The revenue that comes to Chelan County from these federally controlled lands stem from three sources. Those being PILT payments, the 25-percent stumpage money, and the so-called owl guarantee money.

The PILT, or payment in lieu of taxes payments in 1997 amounted to $450,000 to Chelan County, or the equivalent of right at $3 per acre. This is not the issue today, but I would like to talk to you another time about getting that payment up to the full 100 percent of that provided by the formula, that is something that is of interest to all counties in regard to that PILT payment.

The 25 percent stumpage payment made to counties today are not really based on the actual stumpage generated from timber sales. I believe it is actually based on 95 percent of a 5-year average of what the stumpage was, the real stumpage, prior to the spotted owl listing and its impact and shutdown of logging on the national forest lands. This is just simply needlessly adding to the national debt. This is more funny money. It is not coming from our resource, it is payments to the county almost like an entitlement payment at this time.

The owl guarantee money, I understand was a result of a congressional act passed in 1993, it is scheduled, as I understand, to sunset in year 2003, which is another needless additional hit to our national debt, due to the mismanagement of our national forest lands.

Over the past few years and again today, I heard reference to corporate welfare and subsidies to timber corporations for the harvest of timber from Federal lands. I would like to refer to last night's Wenatchee World paper in the article written about prior hearings you have had and what we would be doing today. It says—the part I would like to read to you says, "The Forest Service is charging the fees on an experimental basis around the forests to raise revenues for recreation, since logging cutbacks have sharply reduced timber revenues." Now they admit that logging generated revenues, but yet we hear how—from certain segments of the testimony today and in the past, that these are less than cost sales, they are deficit sales, we are subsidizing—they give the general public the impression that the Government is writing out a check to the corporations to come and harvest the timber.

But in years past, I myself, as a basically former contract logger and professional forester, have purchased timber sales. I will give you an example of one. The minimum appraised stumpage value in this particular sale that I am referring to, the Douglas fir species was advertised at $1 per 1,000, that was the minimum advertised bid. As high successful bidder that day, I actually paid $178. Now if the folks that are trying to promote their agenda in saying these are deficit sales use the Forest Service's appraisals that they use to put the sale out, they could say yeah, it is a deficit sale. But in reality, the people that buy it bid that way, way, historically way above minimum. Today that is not the case because of a number of reasons. The sales that are being put up are trash sales, they

are not merchantably viable sales. In addition to that, the logging constraints and demands and costs are so high that there are many sales that are not even being bid on today because they are not economically feasible.

I really so appreciated the inspector general's candid comments today about the blatant, unexplainable errors that they have found in the financial accounting practices of the Forest Service. It just substantiates the old adage that figures lie and liars figure.

I would ask that you not only hold the Forest Service accountable for their financial accounting practices, but also their forest management practices. And I know that they are bound by new Federal laws and mandates. If that be the case, I would like to see that unwound because if you do an audit, so to speak, or a true assessment of the management practices being used today on the national forest lands, you will find that they are as much a debacle as the financial accounting practices being used by the Forest Service.

I would invite you to tour the national forest lands in our county, I would be able to show you literally millions upon millions of board feet of very valuable saw log material that is dead standing and dead down material that is not being salvaged. They are not being put up for timber sales—beautiful, valuable resource, revenue generating resource not being salvaged because of the constraints that Congress, as they tell us, has the Forest Service under. That needs to really be looked at and changed, I would hope. The unsalvaged timber not only is a waste of a valuable resource, but it is creating an excessive fuel in our forests, and you may remember in 1994, this county experienced—it was just literally under siege by the forest fires, the wild fires that we had and we are just absolutely headed for the same target in a future year, I hope it is not this year. But we need to be on to salvaging that material for many, many reasons that I will allude to later in my closing comments, which I would like to make right now.

If you use sound, verifiable, peer reviewed scientific data and hard facts to make your decisions, I am confident you will direct the Forest Service to utilize proven best management practices that will improve our forests' health, wildlife habitat, and recreational opportunities. It will reduce wild fire danger, increase revenues to county, State and Federal coffers, create jobs and provide products for our citizens and our businesses. I trust you will do what is best not only for the citizens and businesses of our country, but for our resource as well.

Thank you again for coming and giving us this opportunity. And if you do ever have the time for a tour, I would be more than happy to arrange that.

Mr. HORN. Well, I appreciate that and we appreciate your insight on this as a local official that has to get the books balanced and also serve the needs of a lot of people.

I am now going to go down the list as the clerk took it down, and Bonnie Lawrence is next. Welcome and it says it is the city of Omak, is it?

Ms. LAWRENCE. Yes.

Mr. HORN. Well, thank you for coming. Go ahead. You have got 2 minutes. Mr. Brasher is keeping the time, so he will interrupt when the 2 minutes are up.

Ms. LAWRENCE. My name is Bonnie Lawrence, I am the chairman of Okanogan Resource Council, which is 1 of 20 grassroots groups of the OC–3, Okanogan County Citizen's Coalition. We are united for multiple use. I would say I am given unqualified, full support of multiple use.

Multiple use and sustained yield management is backed by decades of legislation interpretation, science, and on-the-ground implementation, and by congressional authority, Forest Service lands are to be managed by those principles. Doc was right, Congress has never passed an ecosystem management law. In fact, they have refused to pass it on several occasions. I can provide you—I did not bring it, but I could provide you with the Forest Service Jack Ward Thomas document that by administrative decree put the Forest Service under ecosystem management.

Ecosystem management cannot be defined, measured, or mapped. Land management decisions are now being based on something called ecosystem integrity which is determined by what degree the land has changed from pre-Euro-American settlement conditions. Active management is limited to restoration to circa 1,850 conditions and protection of this supposed Utopian state.

Ecosystem management is a buzz word that has been embraced by the public in general, by a large part through a vast amount of misinformation and unfortunately a lot of that misinformation is coming from our own Government agencies.

The Forest Service has been derailed. I sincerely hope that Congress can get it back on track because great damage is being done. Every year more of our land and natural resources are being locked up. More of our resources used by society are being imported. More of our land goes unmanaged and is allowed to burn and these fires devastate wildlife habitat, soil structure, watersheds, air quality, and public and private property. Congress holds the key. Forest Service lands and their original mission is what needs to be restored. This can only be achieved through reform of the regulatory morass of land management laws which not only are in conflict with each other, but often with sound science, good management and common sense.

Mr. HORN. We have already exceeded by 2 minutes, the 2 minutes.

Ms. LAWRENCE. I have one sentence left.

Mr. HORN. OK.

Ms. LAWRENCE. Meanwhile, current Federal land management policy is dong great damage to rural America, to our economies, our communities, our families and our quality of life.

Thank you for this opportunity.

Mr. HORN. Well, we thank you for coming, appreciate it.

Jane Helbig or June?

Ms. HELBIG. June.

Mr. HORN. OK, June.

Ms. HELBIG. I want to thank you for coming here and listening to real people.

I also want to express my great respect for Sam Gehr and Sonny O'Neal, because they are very competent, hard-working, caring people who are laboring under a set of insane guidelines that are coming down from Washington, DC. Having attended the advisory committee for 2 years, I have gotten acquainted with them.

The cost of timber sales: There are powerful people who want to make sure that it looks like it is costing more to harvest timber than you get for revenue. In the accounting, putting environmental regulation costs into the cost of timber sales has made it appear that way.

Some panelists mentioned that resources on public lands have been depleted. This is not one shred of scientific evidence, this is as big a myth as the one that hikers are loving the wilderness to death.

I have a few recommendations for congressional action.

No. 1, since ample evidence has been presented of fiscal and resource management problems in the Forest Service and these exist also in the National Park Service and the BLM, call an immediate halt of all acquisition of private land. If you cannot manage the land you have now, with the existing resources, it is insane to acquire more. These agencies—the money saved from land purchases should be directed specifically to trail and road maintenance, weed control, and forest health. The removal of private land from the tax base by Government purchase is devastating to rural communities, especially to schools and children.

Second, to pass a people's right to access public lands law. These provisions would be: First, no quotas or reservations for hiking on any wilderness or any other area. I have hiked 3,000 miles in northwest wildernesses over 25 years. If you counted every bare tent site, every deteriorating trail and every trampled lakeshore, they would add up to less than one ten-thousandths of the wilderness area, it is a minuscule thing. The few instances I have seen of actual damage by people are individual things that would happen even under a quota system. The greatest problems I have encountered are 5-mile stretches with no conceivable places to pitch my tent, stretches of the Pacific Crest trail that are so overgrown, I could not find the way, downed logs blocking trails, washed away bridges and hundreds of miles of trails eroded, not by boots but by water flowing; all of this due to lack of maintenance.

In addition the people's access law should include no eradication of any public roads. According to the Interior Columbia Basin Ecosystem Management Plan, they have scheduled to eradicate 50 percent of all roads on public forests and BLM land in the next 5 years, that is 10 percent per year, is their target.

No moving of trailheads to lengthen the walking distance. I am not getting any younger and my husband is 67 years old today and an extra 2 miles is really 4 and for me with a 40-pound pack, that could eliminate my access to the mountain.

Mr. HORN. You are not going to be able to read that even in 4 minutes. We could xerox it and file it.

Ms. HELBIG. No, I am getting to my final comment.

Mr. HORN. OK.

Ms. HELBIG. I have one final comment regarding the national parks. The model there is they have huge masses of people con-

centrated in small areas that are regulated primarily by the concessionaires who make obscene profits on a minuscule contribution to the public.

And the back country is basically off limits except to the very few people who are able to obtain reservations. Please do not impose this insane system on the BLM land and the forest land. Please keep our forests open to the public.

And I wholly will endorse multiple use.

Thank you very much.

Mr. HORN. Thank you.

Now we have Dale Helbig also.

Mr. HELBIG. She has already spoken.

Mr. HORN. OK. Well, I could have combined the two then, and not worry about it. But we never know if they are married, cousins or what, and I do not want to get into that.

Linda Marcellus of Leavenworth, WA.

Ms. MARCELLUS. Yes, thank you, I cannot let him speak for me. [Laughter.]

Mr. HORN. You sound like my wife. Go ahead.

Ms. MARCELLUS. Thank you. I appreciate you gentlemen, I admire you. Because of the perceptive questions you asked, I know that you are listening and thank you.

Mr. HORN. I am told Leavenworth is a Bavarian village?

Ms. MARCELLUS. It is.

Mr. HORN. I am half Bavarian, so I am curious.

Ms. MARCELLUS. Oh, no kidding. Well, I could not tell, I have not seen you stand up. I will have to check your leader hose.

Mr. HORN. Crazy Ludwig. Just kidding. OK, go ahead.

Ms. MARCELLUS. Well, I consider myself a citizen observer. My family has lived and logged in Chelan County for the past 104 years. We have managed our privately owned forested lands and they continue to thrive with timber and wildlife. Let the emphasis be on managed.

Being here, we have experienced the various phases that the timber resources of our public lands have been put through. Where in my lifetime the Forest Service was once under a sustained yield management, then a sustained forest management, and now under extremist environmental leadership, they have a forest that is unmanaged. Let me tell you, an unmanaged forest makes for a very poor neighbor. An unmanaged forest falls prey to a let burn policy in the case of fires and to death and decay in the case of insects and disease.

In the Wenatchee National Forest, our forest resources have not been depleted by logging, but unmanaged, they are becoming depleted as they are allowed to turn up or fall from spreading root rot or insects, and they are left to decay on our forest floors. Again, I repeat, an unmanaged forest makes for a very poor neighbor. Fire, insects, and diseases know no boundaries.

An unmanaged forest does not preserve biodiversity, especially in today's world where species foreign to the natural vegetation have been introduced. Napweed is a prime example. It overruns the natural vegetation and with the natural vegetation gone, the animals that were supported by it go too.

Oddly enough, let thousands of acres of forest burn and it is nature's way. Fall a tree to utilize it and you kill a fish. Unmanaged forests have become a burden to the agency once in charge of their management.

Where once productive forests paid their own way and the roads and trails they produced were available free to hikers and campers, today the agency issues user fees. Where once productive forests helped pay for the education of our children, new and creative taxes are being levied against private property owners as the resource rots on the ground.

One-third of the United States is forested. Of that forested area, one-third has been lawfully set aside for parks, wilderness, and wildlife. Today's unmanaged public forests have been unlawfully and unscientifically set aside by the failure to manage its timber resource.

There is a double standard in our forests and it is dependent upon whether you work or play there, as to which standard applies. Work has become a four-lettered word in the forest. The spotted owl is disturbed by a man and his chainsaw salvaging downed timber. But 100 motorbikes or snowmobiles blowing through the same area seems to have no effect on said owl.

The annual growth of commercial forests exceeds harvest and loss due to insects and disease by 33 percent each year. Please learn from the private forests. It is past time for our public land agencies and the lawmakers responsible to us for them, to get real, to get honest, and to get back to managing our timber resources. And by so doing, they can once again become a good neighbor.

Thank you.

Mr. HORN. Thank you.

Our next speaker is Ron Riester.

Mr. RIESTER. Riester.

Mr. HORN. Oh, I see, it is the person below you that had a "k" and it looked like you had a "g", so sorry about that.

Mr. RIESTER. That is quite all right. I had just a couple of points, one being, if you really wanted to get the opinion of your constituents, you would not have a meeting at 11 a.m. OK? Because they are all at work today.

Second, my guess is—and I do not have solid facts on this, but I would be willing to bet that in the Wenatchee Valley, and I am guessing that the Okanogan Valley is probably in the same shape, but the majority of our people earn at or about the minimum wage. So when you start putting fees at the trailheads, that takes away a lot of real quality family time from people that are able to take their families out in the forest and do things. When you put a fee on it, they cannot do that. And you know when you say well, it is only $3 or it is only $5, but when you are working minimum wage level and consider that a rental house in Wenatchee starts at probably $700 a month, that little bit that you are putting on the fee represents a lot of money to a lot of people and it takes away a real standard of living.

So as far as the Forest Service itself is concerned, they have alluded a number of times today to the multiple use program. That multiple use concept was really effective back when it began, they did not have all the bureaucracy up there that they have now and

my guess would be that if you took off the first 10 levels of administration and put the management of the forest back to the local forest, that you would have the money to take care of the trails.

Thank you.

Mr. HORN. Thank you.

Terry Nowka.

Mr. NOWKA. My name is Terry Nowka, I am the Chelan County noxious weed control board coordinator. Doc and I spoke on the phone the other day.

I would reiterate that my main concern is to get the funding for the Forest Service on the ground, get that money in the field. From what I have heard this morning, the Forest Service has a real problem with their books. They need to get those books in order and get that money back on the ground. That would eliminate a whole lot of our problems on the local level.

Thank you.

Mr. HORN. Thank you.

Next is Mike Poulson.

Mr. POULSON. Thank you.

I am the natural resource chairman of the Washington State Farm Bureau, and I appreciate you taking this opportunity to come out here. I would like for Congressman Hastings to officially enter it into the record that I am wearing a tie. [Laughter.]

Mr. HASTINGS. And a coat.

Mr. HORN. You just did.

Mr. POULSON. I am not going to say a whole lot because most has been said. I want to give you one example of the Interior Columbia Basin Ecosystem Management Project that gives you some insight into how the new style of management might work, and that is on the value of forested acres.

In the socio-economic part of that, they valued commercial harvest at $17 an acre, recreation at approximately $35 an acre and it may have been $34, and what I call the serenity value at $96 an acre. Now that value is a value of the individual that lives in New York City and works in a high rise, never been here, never coming here, but sitting there knowing it is here, it is worth $96 an acre. The way they got to that value was to call a number of people around the country and ask how much they felt it was worth and then they compiled those and multiplied it by 260 million and came up with $96 an acre value.

I want to assure you that no Fortune 500 company would value that at $9,600 an acre—or $96 an acre if they could not collect it.

Mr. HORN. I am sorry, it is my fault, not yours. Explain what the $96 means.

Mr. POULSON. Two minutes goes pretty fast.

Mr. HORN. Oh, no, question we can take care of.

Mr. POULSON. The $96 an acre is the philosophical value of an individual to be able to know that it is there.

Mr. HASTINGS. Mike, back up and explain the Interior Columbia Basin Project, this is what this is based on.

Mr. POULSON. Yes, this is out of the documentation for socio and economic in that. I really did not intend to take a lot of your time, I wanted to make that point, but that is how they came to terms with how much forested land is worth.

You have heard a lot about our value system is changing, our philosophy is changing. I want you to understand that as long as we are managing these resources by philosophy and public perception, we are not going to be able to set scientific, predictable economic values, social values, or resource values. We need to separate—and I do not have any problem with adding philosophy to our management style, but we need to separate the philosophical aspects from the scientific aspects of management.

I brought this map to my right, to your left, I carry it everywhere I go. The colored part of it is the Government lands in the west. The 16,000 families of Washington State Farm Bureau live somewhere in the white areas and we are neighbors to those colored parts. What happens in those colored parts becomes more and more important to us as we go along.

I again appreciate you coming here and one thing that I would suggest that you do—I realize that you are really busy, but I would suggest that you try to get members of your committee to come out and visit on the ground some of these lands, because you cannot understand the situation if you do not. I will assure you that if you want to do that, I will be able to arrange for you to visit lands anywhere in that entire colored area on that map, and I am confident in saying that I can do that because I work with people all over the west and I also know that we are going to find some important conditions to be able to look at. We do not have a problem in being able to manage these resources, but we have a tremendous challenge in being able to manage the bureaucracy.

Thank you.

Mr. HORN. Well, sit there a minute because we have got 5 minutes before we have to rush somewhere and we have got one more speaker.

The reason your comment interested me, and that is why I wanted to understand the whole concept—a friend of mine, about the only lawyer friend I have, but he happens to be a great lawyer, and he won a settlement of $18 million from an oil company that polluted Huntington Beach. In polluting Huntington Beach, which is a major oil production area, what he figured—and apparently there is a school of economics and I did not know about it so this was news to me, and I think you might be, with that figure in the same realm that you are quoting. It turned out there is a school of economics that can figure out what it means for someone not to have the opportunity to go to the beach, in terms of a value. So indeed he got him into court as a witness and they had figured out in terms of how many people regularly came to the beach versus how many could not come because of the oil spill, and the gap was obviously the damages to be awarded to the city of Huntington Beach, in this case, it was not to him. He won the case, and that was news to me in terms of the value that they could interpose on behavior, if you will. So that is why I am fascinated by what you had to say, because that is the only case I had heard of like that. But that is why I wondered—did a group of economists or somebody figure that $96 value?

Mr. POULSON. That is correct. In fact, I do not have the name at the top of my head, but I can get you the name of the individual,

and he defended that to me half a dozen different times, we talked about how they came to that figure.

One other point. We are not using less resources as a human race, we continue to use more. Yet, we continue to make decisions that eliminates resource use in given areas. That ultimately just transfers that use to another area without any consideration for what that means. We have to start looking at the whole picture.

I will assure you also that those of us in the resource industries, in agriculture, mining, and the timber industries, are willing to step up to the challenge of management, across the board. We are willing to do that, but we have to be specific and we have to be realistic in looking at problems. Right now, the system that we have, the regulatory system that we have, itself is the biggest challenge in being able to do that. If you talk to the people that developed the Interior Columbia Basin Ecosystem Project, I heard in hearing after hearing and time after time that the challenge in that project was trying to balance National Marine Fisheries, Fish and Wildlife, EPA, and then their requirements to manage the land.

Mr. HORN. Well, thank you, that is very helpful testimony.

Our last presenter is Mike Dolfay.

Mr. DOLFAY. Thanks for the opportunity to speak to you. This is a last minute decision on my part to be able to speak to you folks.

Last week, I was able to visit the Okanogan National Forest and surrounding lands and had a very good time. I read some articles in the paper about the controversy of the fee, so I thought I would just check it out.

One of the observations I have got is I think the fee system will fix itself. There is a lot of competition out there. Example, there are State parks that you could use, there is private land that has got facilities you can use, and there are national forests you can use. We went to visit the national forest to compare the standards that we were going to pay for. We had a certain fee. We compared that fee in the national forest with private land and with the State parks. And compared the amenities that we were going to get for the money we were going to spend. We ended up staying in the State park. They had more amenities for the dollars spent. We had a good time, we visited the national forest on a daily basis and the facilities we visited to check on the national forest were well maintained. There was some use on it, but they were not full, so we had an opportunity if we wanted to, to stay there.

So I think down the road, competition outside national forests will have an impact on the fee structure of what they are going to be paying. That is my observation.

Four weeks ago, I was able to visit the Helena National Forest in Montana. That forest is not in a fee system, and of course it was not Congress, it was other things that were going on. One of the things that was interesting there was the access to the national forests. There were some private land holders that recently purchased land and put a road through their land to national forest. This was an expense of the national forest that nobody really wanted to have to go through, to get the road open and keep it open to the public.

I think as our population grows, that is going to be more of a problem as more visitors want to visit national forests because they are not going to want the public going through their private land to get to the national forest. If there was a fee involved in the national forest, that would be more of a problem. It is going to be more complicated to be able to do that.

That is all I have got.

Mr. HORN. Well, thank you, appreciate it.

Mr. DOLFAY. Just as a user, I do not have any political agenda. In fact, I visited yesterday Wenatchee National Forest and the gentleman that previously talked about noxious weeds, it just happened to be there were three employees that were picking napweed and so it appears there was at least three people out there on the field, on the national forest, picking noxious weeds. So they are not all in the office.

Mr. HORN. Thank you very much.

I will now thank the staff that prepared this hearing and previous hearings. This is the third one in a week I guess. J. Russell George, the staff director and chief counsel is seated over there to my left; Mark Brasher is seated to my immediate left, senior policy director; all of these for the Subcommittee of the House on Government Management, Information, and Technology. Matthew Ebert, clerk, is next to Mr. George; And then so is Mason Alinger, staff assistant; and we have some interns—Betsy Damus, Mark Urciuolo, Solomon Bartel, and David Graff; and our court reporter here who has followed us around for 3 days and probably has not got any sleep is Bill Warren, and we thank him.

We also thank those that helped to get us to the convention center, Deana Greedy, events coordinator, was immensely helpful. On Representative Hastings staff, Doug Riggs, legislative director, we thank him along with Craig Kennedy, legislative assistant; Jennifer Scott, press secretary; and Matt Winger, the field representative.

And from the Resources Committee staff, we have Curt Christianson, professional staff member.

So thank you all for coming and thank you for your work in developing the hearing and the testimony and the witnesses.

With that, this session is adjourned.

[Whereupon, at 4:02 p.m., the subcommittee was adjourned.]

[Additional information submitted for the hearing record follows:]

GAO

United States
General Accounting Office
Washington, D.C. 20548

Accounting and Information
Management Division

June 22, 1998

The Honorable Stephen Horn
Chairman
The Honorable Dennis J. Kucinich
Ranking Minority Member
Subcommittee on Government Management,
Information and Technology
Committee on Government Reform and Oversight
House of Representatives

During the Subcommittee's June 18, 1998, hearing on options for improving federal financial management, you asked us to provide a summary of issues relating to the Forest Service. GAO reports during the last decade have identified numerous opportunities for the Forest Service to operate more efficiently and effectively. We are providing you copies of recently issued reports on the status of the agency's progress towards financial accountability: (1) Forest Service: Status of Progress Toward Financial Accountability (GAO/AIMD-98-84); (2) Financial Management: Forest Service's Progress Toward Financial Accountability (GAO/AIMD-97-151R); (3) Letter dated December 20, 1996, to the Chairman, House Committee on the Budget; and 2 reports issued within the last 2 years that, together, cap over a decade of work and over 45 GAO products on financial and performance issues facing the Forest Service: (1) Forest Service: Barriers to Generating Revenue or Reducing Costs (GAO/RCED-96-58); (2) Forest Service Decision-Making: A Framework for Improving Performance (GAO/RCED-97-71). Enclosure 1 includes a list of our key reports and testimonies that contain recommendations that would improve the Forest Service's accountability.

In summary, since December 1996, we have periodically reported on the financial problems of the Forest Service initially identified in the U. S. Department of Agriculture Inspector General's (IG) audit report on the Forest Service's fiscal year 1995 financial statements. Specifically, we have (1) discussed how the IG's adverse opinion raised concerns about the level of stewardship over taxpayer money appropriated to the Forest Service and (2) assessed the Forest Service's progress towards correcting its accounting and financial reporting problems.

While the Forest Service has taken some positive steps to address its accounting deficiencies, much work remains before the deficiencies are fully corrected. The IG's financial statement audit report of the Forest Service for fiscal year 1997 has disclosed that major shortcomings in accounting and reporting continue to persist. These problems are exasperated by the serious problems the Forest Service is encountering in implementing its new financial accounting system. In addition, the agency must ensure that the new system, as well as all other mission critical computer systems, is Year 2000 compliant. In reports issued since January of this year, GAO, the IG, and an outside consultant have identified serious problems with the new system implementation process, as well as other hurdles the agency must overcome to achieve financial accountability. Given the extent and magnitude of its financial problems, it is uncertain when the Forest Service will be able to successfully address these long-standing problems.

To improve its operational efficiency and effectiveness, the Forest Service has taken an important first step towards becoming accountable for its performance by making clear that its overriding mission and funding priority, consistent with its existing legislative framework, has shifted from producing goods and services to maintaining and restoring the health of the lands entrusted to its care. However, it has not identified the actions required to correct decade-old problems with its data, measurement, and reporting; addressed new challenges resulting from its changed priorities; or established a schedule to achieve accountability for its performance by a certain date.

If you have any questions about this letter or the reports we provided you, please contact me at (202) 512-2600 or Linda Calbom, Director, Resources, Community, Economic Development, Accounting and Financial Management Issues, at (202) 512-8341.

Gene L. Dodaro
Assistant Comptroller General

Enclosure

cc: Russell George
Faith Weiss

ENCLOSURE 1 ENCLOSURE 1

Reports and Testimonies Relating to the Forest Service

Forest Service: Issues Relating to Its Decisionmaking Process (GAO/T-RCED-96-66, January 25, 1996).

Forest Service: Issues Related to Managing National Forests for Multiple Uses (GAO/T-RCED-96-111, March 26, 1996).

Forest Service Decision-Making: Greater Clarity Needed on Mission Priorities (GAO/T-RCED-97-81, February 25, 1997).

Timber Management: Opportunities to Limit Future Liabilities for Suspended or Canceled Timber Sale Contracts (GAO/RCED-97-14, October 31, 1996).

Forest Service's Financial Data Limitations (GAO/RCED-96-198R, June 19, 1996).

Forest Service's Reforestation Funding: Financial Sources, Uses, and Condition of the Knutson-Vandenberg Fund (GAO/RCED-96-15, June 21, 1996).

Forest Service: Status of Efforts to Achieve Cost Efficiency (GAO/RCED-94-185FS, April 26, 1994).

Forest Service: Factors Affecting Timber Sales in Five National Forests (GAO/RCED-95-12, October 28, 1994).

Forest Service: Little Assurance That Fair Market Value Fees Are Collected From Ski Areas (GAO/RCED-93-107, April 16, 1993).

Forest Service: Weak Contracting Practices Increase Vulnerability to Fraud, Waste, and Abuse (GAO/RCED-98-88, May 6, 1998).

Forest Service: Lack of Financial and Performance Accountability Has Resulted in Inefficiency and Waste (GAO/T-RCED/AIMD-98-135, March 26, 1998).