



COUNCIL for  
CITIZENS  
AGAINST  
GOVERNMENT  
WASTE



Coalition to  
**REDUCE**  
Spending



TAXPAYERS  
PROTECTION  
ALLIANCE

## STOP TAXPAYER ROAD SUBSIDIES IN THE TONGASS

June 20, 2019

Dear Representative:

On behalf of the undersigned organizations, we strongly urge you to support Representative Earl Blumenauer's (D-OR) amendment to the Department of Interior Appropriations Bill that would eliminate taxpayer subsidies given to the timber industry for logging the Tongass National Forest.

Our organizations have long been opposed to taxpayer subsidized roads in our national forests. The Tongass National Forest, in particular, represents what is wrong when the government constructs logging roads that assist timber companies in the cutting and removing of timber.

The failed economics of federal subsidies for the timber industry are magnified in the Tongass. On average, and if all roadbuilding and timber sale costs on the Tongass are taken into account, the Tongass timber sale program costs taxpayers \$25.5 million each year while yielding just \$1.29 million in return, for an average loss of \$24.2 million each year over the last 20 years—largely due to the exorbitant costs of building and maintaining new logging roads. Although elimination of this program itself will not solve our nation's enormous deficit, getting rid of special-interest subsidies like this is a good first step in the effort to restore fiscal sanity to Washington.

As you know, we support logging and timber extraction efforts when they are economically viable and not simply cronyism or corporate welfare.

Once again, we urge you to **support the Blumenauer Amendment (submitted #64) to the Department of Interior Appropriations bill**. It is time for the logging and timber companies to stop looking to the taxpayer for handouts to build and maintain roads for commercial logging.

Sincerely,

Ryan Alexander  
President, Taxpayers for Common Sense

Pete Sepp  
President, National Taxpayers Union

David Williams,  
President, Taxpayers Protection Alliance

Tom Schatz  
President, Council for Citizens Against Government Waste

Jonathan Bydlak  
President, Coalition to Reduce Spending

# Executive Order No. 12866 Meeting Record

Date: 07/18/2019 Time : 11:00 AM

Rule Title : Alaska Roadless Rule

RIN : 0596-AD37 Rule Stage : Proposed Rule Stage

Lead Agency : USDA/FS

Requestor : Taxpayers for Common Sense

## PLEASE PRINT CLEARLY

| Name                | Affiliation                | Participation               |
|---------------------|----------------------------|-----------------------------|
| Mr. Stephen Ellis   | Taxpayers for Common Sense | In-person / Tele-Conference |
| Ms. Autumn K Hanna  | Taxpayers for Common Sense | In-person / Tele-Conference |
| Mr. Michael Maragos | Taxpayers for Common Sense | In-person / Tele-Conference |
| Matthew Oreska      | OMB                        | In-person / Tele-Conference |
| Mark Hazelgren      | OMB                        | In-person / Tele-Conference |
| Laura Sfecia        | USDA                       | In-person / Tele-Conference |
| Cristina Rodriguez  | OMB                        | In-person / Tele-Conference |
|                     |                            | In-person / Tele-Conference |
|                     |                            | In-person / Tele-Conference |
|                     |                            | In-person / Tele-Conference |
|                     |                            | In-person / Tele-Conference |
|                     |                            | In-person / Tele-Conference |
|                     |                            | In-person / Tele-Conference |
|                     |                            | In-person / Tele-Conference |
|                     |                            | In-person / Tele-Conference |
|                     |                            | In-person / Tele-Conference |
|                     |                            | In-person / Tele-Conference |
|                     |                            | In-person / Tele-Conference |

# Below Cost Timber Sales in the Tongass National Forest – A New Loss Estimate



February 2019

The U.S. Forest Service (USFS) within the Department of Agriculture manages 193 million acres of public forests and grasslands collectively known as the National Forest System. The Tongass National Forest (Tongass) in southeast Alaska is the largest national forest at 16.8 million acres, roughly the size of West Virginia. Every year, the USFS prepares and conducts sales for the rights to harvest millions of board feet of timber from the Tongass. These sales have historically generated less revenue than the USFS spends to administer them, resulting in large net losses for U.S. taxpayers. Newly released budget data reveal that the USFS has continued to lose millions of dollars on Tongass timber sales in recent years.

## Sizing Up Tongass Timber Sales

Whether a timber sale generates a net gain or loss to taxpayers depends on the how much the USFS spent to prepare and administer it, and the amount of revenue collected when the sold timber is harvested. For decades, the USFS has conducted timber sales in the Tongass that consistently generate huge losses for taxpayers. Various independent analyses have attempted to quantify these losses, but no such evaluation has been conducted in recent years. Newly released budget data indicate that the USFS continues to lose millions of dollars every year on Tongass timber sales.



## New Estimate

Over the 19 fiscal years with available data (FY1999-2017), the USFS spent \$613.9 million in connection with its timber sale program in the Tongass and collected \$33.4 million in timber sale receipts, resulting in a net loss of \$580.5 million, in 2018 dollars. **On average, the USFS lost \$30.6 million per year from FY1999 to FY2017.** Put another way, Tongass timber sale revenues covered just 5.4 percent of timber sale costs.

During the period in question, the USFS reported selling 968 million board feet of timber in the Tongass. This means the USFS lost approximately \$600 for every thousand board feet (mbf) of timber it sold, on average. Under current plans, the USFS will offer more than 240 million board feet in several timber sales in the Tongass over the next four years. If spending to prepare those sales and the revenue generated from them match the long-run average, the USFS could end up losing more than \$140 million.

## Comparison and Discussion

The USFS' administration of timber sales throughout the National Forest System, and in the Tongass specifically, has been scrutinized for decades. In one of the first audits of the Tongass timber program, the General Accounting Office (now the Government Accountability Office, or GAO) reported in 1988 that USFS timber sales had lost \$22.1 million in FY1986, roughly equivalent to \$50.6 million in 2018. As its most recent estimate, the GAO reported in 2016 that Tongass timber sales had lost \$11.4 million per

year on average during the period FY2005-2014. The agency was careful to note, however, that its estimate excluded USFS roadbuilding costs.

In some cases, the USFS constructs or reconditions roads to provide harvesters access to timber stands it sells. Covering roadbuilding costs improves the economics of a timber sale for logging companies, but also significantly increases the total costs of the USFS timber program. **In fact, USFS spending on roads in the Tongass made up more than 40 percent of all timber sale expenses from 1999 to 2017.** By excluding roadbuilding costs in its 2016 estimate, the GAO significantly understated the losses associated with Tongass timber sales.

Timber sale expenses and revenues fluctuate significantly from one year to the next, but data for the three fiscal years since GAO's last estimate indicate that USFS losses remain high. In the period FY2015-2017, the USFS spent \$58.5 million on its timber program in 2018 dollars, but collected just \$1.8 million in timber receipts, resulting in a net loss of \$56.7 million. A summary of USFS spending and receipts associated with Tongass timber sales over all fiscal years is provided below:

### **Tongass Timber Program: Receipts, Expenses, Losses (FY1999-2017)**

*(\$ in millions)*

| Fiscal Year            | Timber Sold<br>Volume<br>(MBF) | Timber<br>Receipts | Timber<br>Expenses | Net<br>Receipts | Timber<br>Receipts<br>(\$2018) | Timber<br>Expenses<br>(\$2018) | Net<br>Receipts<br>(\$2018) |
|------------------------|--------------------------------|--------------------|--------------------|-----------------|--------------------------------|--------------------------------|-----------------------------|
| 2017                   | 30,808                         | \$1.0              | \$17.8             | -\$16.7         | \$1.04                         | \$18.20                        | -\$17.16                    |
| 2016                   | 13,535                         | \$0.5              | \$18.5             | -\$18.1         | \$0.47                         | \$19.40                        | -\$18.92                    |
| 2015                   | 22,625                         | \$0.3              | \$19.7             | -\$19.5         | \$0.29                         | \$20.91                        | -\$20.62                    |
| 2014                   | 105,523                        | \$0.6              | \$22.4             | -\$21.8         | \$0.6                          | \$23.8                         | -\$23.1                     |
| 2013                   | 15,866                         | \$0.6              | \$19.7             | -\$19.1         | \$0.6                          | \$21.2                         | -\$20.6                     |
| 2012                   | 52,483                         | \$1.9              | \$21.5             | -\$19.6         | \$2.0                          | \$23.5                         | -\$21.5                     |
| 2011                   | 44,190                         | \$3.3              | \$18.0             | -\$14.8         | \$3.7                          | \$20.1                         | -\$16.5                     |
| 2010                   | 45,632                         | \$1.9              | \$22.3             | -\$20.4         | \$2.2                          | \$25.7                         | -\$23.5                     |
| 2009                   | 22,670                         | \$0.6              | \$26.4             | -\$25.7         | \$0.7                          | \$30.8                         | -\$30.1                     |
| 2008                   | 5,351                          | \$0.4              | \$23.5             | -\$23.1         | \$0.5                          | \$27.4                         | -\$27.0                     |
| 2007                   | 30,392                         | \$0.3              | \$25.1             | -\$24.8         | \$0.3                          | \$30.4                         | -\$30.1                     |
| 2006                   | 85,007                         | \$0.8              | \$27.9             | -\$27.1         | \$1.0                          | \$34.8                         | -\$33.8                     |
| 2005                   | 65,075                         | \$0.4              | \$34.4             | -\$34.0         | \$0.5                          | \$44.2                         | -\$43.7                     |
| 2004                   | 87,072                         | \$4.3              | \$36.9             | -\$41.2         | \$5.7                          | \$49.1                         | -\$54.8                     |
| 2003                   | 36,489                         | \$2.0              | \$31.0             | -\$29.0         | \$2.7                          | \$42.3                         | -\$39.6                     |
| 2002                   | 24,372                         | \$1.3              | \$33.4             | -\$32.2         | \$1.8                          | \$46.7                         | -\$44.9                     |
| 2001                   | 49,592                         | \$1.8              | \$35.0             | -\$33.2         | \$2.6                          | \$49.6                         | -\$47.1                     |
| 2000                   | 170,329                        | \$6.9              | \$23.8             | -\$16.9         | \$10.0                         | \$34.7                         | -\$24.7                     |
| 1999                   | 61,426                         | \$5.3              | \$33.8             | -\$28.5         | \$8.0                          | \$51.0                         | -\$42.9                     |
| <b>2008-2017 Total</b> | <b>358,683</b>                 | <b>\$11.0</b>      | <b>\$209.9</b>     | <b>-\$198.9</b> | <b>\$12.1</b>                  | <b>\$0.0</b>                   | <b>-\$219.0</b>             |
| <b>1999-2017 Total</b> | <b>968,437</b>                 | <b>\$25.5</b>      | <b>\$491.3</b>     | <b>-\$465.9</b> | <b>\$33.4</b>                  | <b>\$613.9</b>                 | <b>-\$580.5</b>             |

For more information see [www.taxpayer.net](http://www.taxpayer.net)

October 15, 2018



Alaska Roadless Rule  
USDA Forest Service  
Alaska Region  
Ecosystem Planning and Budget Staff  
P.O. Box 21628  
Juneau, Alaska 99802-1628

Dear Forest Service Rulemaking Team,

Taxpayers for Common Sense (TCS), a national nonpartisan budget watchdog organization, submits this letter as our official public comment on the Notice of Intent published by the U.S. Forest Service to prepare an Environmental Impact Statement regarding the management of inventoried roadless areas in the Tongass National Forest. Our organization has tracked government waste issues for nearly 25 years and we are concerned the proposal to exempt the Tongass National Forest from the 2001 Roadless Rule will cost American taxpayers tens of millions of dollars in increased timber subsidies. As the Forest Service undertakes an analysis of the proposal, it is imperative that the agency fully examine and account for all potential costs, including the net fiscal effects of administering sales for timber harvest in roadless areas.

## Background

For decades, the Forest Service has administered timber sales in the Tongass that have generated net losses for the agency, and thereby federal taxpayers. That is, the costs incurred by the Forest Service to administer its timber sales program have surpassed receipts generated from the resulting sales. In 2016, the Government Accountability Office (GAO) reported that from fiscal year (FY) 2005 to 2014, the Forest Service expended an average of \$12.5 million annually for timber-related activities and received only \$1.1 million on average in receipts from timber harvest, resulting in an average net loss of roughly \$11.4 million.

The receipts data GAO used to make its calculation were accurate, but the expenses of the Forest Service were understated because the GAO considered neither certain trust fund outlays nor the costs of roadbuilding to implement timber sales.

Including outlays from trust funds providing for specific types of timber sales and reforestation after timber harvest, the Forest Service's annual expenses on timber-related activities averaged nearly \$14 million over the 10-year period, resulting in an average annual net loss of \$12.9 million. Extending the same methodology, the Forest Service lost \$13.9 million on average over the 19-year period from FY 1999 to 2017 administering timber sales.

However, these annual loss averages do not take into account the millions of dollars the Forest Service spends annually to build and maintain roads in the Tongass National Forest, of which

the “vast majority ... were developed for timber harvest purposes.”<sup>1</sup> Despite their primary intended use – to facilitate timber harvest – the costs of building and maintaining these National Forest System roads are fully paid for by the Forest Service. **If all roadbuilding costs are taken into account, the Forest Service has lost \$25.2 million on average annually over the last 19 years providing for timber sales in the Tongass National Forest.**

## Average Annual Receipts, Expenses, and Losses from Tongass Timber Sales

(\$ in millions)

| Calculation Source                  | Time Period (FY) | Costs Considered   |             |               | Average Receipts | Average Costs | Average Loss |
|-------------------------------------|------------------|--------------------|-------------|---------------|------------------|---------------|--------------|
|                                     |                  | Timber Sale Admin. | Trust Funds | Road-building |                  |               |              |
| GAO - 2016 Report                   | 2005 - 2014      | X                  |             |               | \$1.1            | \$12.5        | -\$11.4      |
| Reported USFS receipts and expenses | 2005 - 2014      | X                  | X           |               | \$1.1            | \$14.0        | -\$12.9      |
| Reported USFS receipts and expenses | 1999 - 2017      | X                  | X           |               | \$1.3            | \$15.2        | -\$13.9      |
| Reported USFS receipts and expenses | 1999 - 2017      | X                  | X           | X             | \$1.3            | \$26.6        | -\$25.2      |

The large and consistent losses resulting from previous timber sales in the Tongass indicate that under current practice, the Forest Service will continue losing money by selling timber in currently roaded areas. Selling timber in roadless areas would require the Forest Service to spend more constructing roads for harvester access. As a result, we project that Forest Service losses from timber management would increase substantially.

In addition, new timber sales in roadless areas would increase the mileage of roads that must be maintained, again at taxpayer cost. The Forest Service cannot adequately maintain the existing 370,000 miles of roads in the National Forest System. The deferred maintenance backlog for these roads is currently around \$3 billion. Adding more miles to the road system in National Forests without devoting funds to pay for their maintenance will only increase that backlog. Any assessment of allowing timber harvest in roadless areas, which would require significant new road construction, must account for the maintenance costs associated with new roads.

<sup>1</sup> U.S. Forest Service, “Final Environmental Impact Statement: Tongass Land and Resource Management Plan.” June 2016. Appendix C, pg. C-4

## The Current Rulemaking

In preparing the environmental impact statement on potential revisions to management of Tongass roadless areas, the Forest Service should evaluate a full range of alternatives that address the fiscal impacts of management policies. Those alternatives should include:

- An alternative that does not allow any timber sale that will result in a net loss to the Treasury, taking into account direct costs and losses from timber sale and reforestation trust funds.
- An alternative that does not allow any timber sale that will result in a net loss to the Treasury, taking into account direct costs and losses from timber sale and reforestation trust funds, plus the cost of necessary road building.
- An alternative that does not allow any timber sale that will require the construction of new roads for which the Forest Service does not have a reasonable likelihood of funding for maintenance.

In addition, in evaluating the alternatives in the environmental impact statement, the Forest Service should consider the full range of fiscal impacts, including:

- Net losses from timber sales;
- The cost to the Treasury from associated road-building;
- Future road maintenance costs; and
- Liabilities associated with degraded road conditions when Forest Service road maintenance appropriations do not meet the level necessary to adequately maintain road miles created as a result of new timber sales.

A complete or partial exemption to the roadless rule in the Tongass National Forest would substantially increase taxpayer losses by increasing expenses for building roads to implement timber sales in roadless areas. Which is why, when analyzing this proposal, the costs of resulting roadbuilding need to be fully understood. This imperative is not ours, but simply what's demanded by the Executive Orders guiding federal agency rulemaking.

Within two weeks of assuming office, President Trump signed Executive Order 13771, "Reducing Regulation and Controlling Regulatory Costs," which emphasized the need for federal agencies to carefully consider the costs of regulations they promulgate. To guide such consideration, previous executive orders that are still in effect outline how agencies should execute cost-benefit analyses for rulemakings. Executive Order 13563, which reaffirms the long-standing principles established in Executive 12866 in 1993, states that, "each agency is directed to use the best available techniques to quantify anticipated present and future benefits and costs as accurately as possible."

In the current rulemaking considering exemptions to the 2001 Roadless Rule for Alaska, such future costs include timber sale administration costs, roadbuilding costs, and road maintenance

costs, among others. The Forest Service is therefore required not simply to take these costs into account, but to quantify each "as accurately as possible."

## Conclusion

Taxpayers for Common Sense strongly urges the Forest Service to examine how exempting Alaska from the 2001 Roadless Rule in whole or in part, and expanding timber sales into inventoried roadless areas as a result, would affect the fiscal impact of these sales to taxpayers.



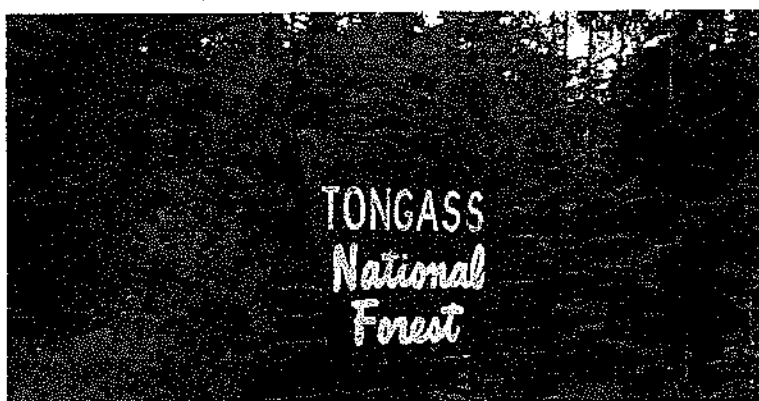
# Upcoming Tongass Timber Sales Will Cost Taxpayers



March 2019

The Tongass National Forest in southeast Alaska stretches across roughly 17 million acres, making it the largest in the National Forest System. Due to its size and significance, the Tongass and the U.S. Forest Service's management of it often receive special attention. In particular, policymakers and outside interest groups have long scrutinized the sale and harvest of timber in the Tongass. In an indication of the debate's prominence, provisions regarding timber sales in Alaska – which almost exclusively come from the Tongass – have been attached to annual appropriations bills for more than a decade.

In recent years, scrutiny of the Tongass has centered on big sales, like the Big Thorne Timber Project, and the 2016 amendment to the Forest Service's land management plan for the forest. Both are of interest to taxpayers because the U.S. Forest Service (USFS) has historically lost money by conducting timber sales in the Tongass.



A 2016 report by the Government Accountability Office found that the USFS had lost an average of \$11.4 million per year on Tongass timber sales from 2005 to 2014, not including road-building costs. An updated analysis of timber sales receipts and spending data, which include road-building costs, shows that the USFS has lost an average of \$20 million per year over the last decade (2008-2017). If USFS spending and receipts from future timber sales conform to historical averages, then taxpayers can expect to lose hundreds of millions more in coming years from just five sales currently on the horizon. A brief explanation of these sales and how much each could cost taxpayers is provided below.

## Prince of Wales Timber Sale

The USFS began working on the Prince of Wales (POW) project in November, 2016. In March 2019, the Forest Supervisor for the Tongass signed the Record of Decision that officially authorized implementation of the project. Under the current plan, the USFS will prepare and administer sales for 656 million board feet of timber on nearly 43,000 acres. The entire project will take place over the course of 10 to 15 years, and sales could be held as early as 2019. Current plans include non-timber activities like watershed improvement efforts aimed at promoting wildlife populations. But to facilitate the timber harvest, the USFS expects 164 miles of roads to be built or reconditioned. If the USFS' expenses for road building and timber stand

preparation match historical averages, and so do the sale revenues, then taxpayers could end up losing \$411 million on the POW project.

**Location:** Prince of Wales Island

### Vallenar Timber Sale

USFS began planning the Vallenar Young-Growth project in May of 2017 with its release of initial scoping documents. One year later, in May of 2018, USFS released its decision notice allowing the project to proceed with the harvest of 155 acres totaling 4.6 billion board feet of timber. The project also allows for 1.2 miles of roads building. Unfortunately, taxpayers could lose \$2.9 million if the project proceeds as expected.

**Location:** Gravina Island

### Wrangell Island Timber Sale

Records for the Wrangell Island Project began with the USFS' release of the project's scoping documents in November of 2015. The USFS issued its record of decision on December 11, 2017 allowing for the project to move forward. The project is focused on timber harvest and road construction activities to provide access to the targeted timber stands; the sale of which will take place over a 10-year period. In total, the project allows for 6.9 million board feet of timber to be harvested on 428 acres and the construction and reconditioning of 6.3 miles of roads. Taxpayers stand to lose \$4.3 million on the project. Since USFS has issued an affirmative decision for the project, timber sales may now be held whenever the agency sees fit.



**Location:** Wrangell Island

### South Revillagigedo Timber Sale

Planning for the South Revillagigedo Integrated Resource project (South Revilla Timber Sale for short) began in August 14, 2018 with a USFS notice of intent. According to USFS, the project will be finalized in July of 2019. Timber activities could commence soon afterward and are projected to take place over a span of 10 to 15 years. The project proposes to harvest 60 million board feet of young-growth harvest after completing construction on 239 miles of new, temporary, and existing roads. According to our analysis, this project could lose taxpayers \$37.6 million.

**Location:** between coon cove and shelter cove

## Kuiu Island Timber Sale

Planning for the Kuiu Island Timber Sale began with USFS's preparation of an Environmental Impact Statement (EIS) in 2004. The EIS was completed in July of 2007. The Project's record of decision was published almost a year later, in May of 2008.

The USFS first conducted a timber sale on Kuiu Island in 2008, but it attracted no buyers. In that sale, the USFS offered 31.4 million board feet of timber from 1,208 acres of old-growth forest. To facilitate harvest of that timber, the USFS planned for the construction of 10 miles of new roads and the rebuilding of 6.8 miles of existing roads.



The USFS tried again to sell Kuiu timber in August of 2016, this time allowing the timber to be exported in order to make the sale more attractive to potential buyers. No bids were received for the second time.

The USFS conducted a third timber sale in May of 2018, offering 13.6 million board feet of timber on 523 acres of forest, again to no avail. According to USFS officials, the same timber will be re-offered for sale in the near future. Even if the future sale does attract a bidder, at historical averages, it could cost taxpayers as much as \$8.5 million.

**Location:** Kuiu Island



May 13, 2019



Mr. Earl Stewart  
Forest Supervisor, Tongass National Forest  
Thorne Bay Ranger District  
1312 Federal Way  
P.O. Box 19001  
Thorne Bay, AK, 99919-001

**RE: Forest Service Implementation Activities for the Prince of Wales Landscape Level Analysis Project**

Supervisor Stewart,

Thank you for the opportunity to provide public comment on the implementation of the Selected Alternative identified in your March 2019 Record of Decision for the Prince of Wales Landscape Level Analysis (POW-LLA) Project. Taxpayers for Common Sense (TCS) is a national nonpartisan budget watchdog organization that has tracked government waste issues and the management of natural resources on federal lands for nearly 25 years. As one of the largest timber harvest projects in recent Tongass history, TCS is concerned that the POW-LLA will amplify longstanding problems in the management of Tongass timber and exacerbate taxpayers losses from below-cost timber sales.

**Timber Harvest and Pre-Sale Activities**

For decades, the Forest Service has administered timber sales in the Tongass that have generated net losses for the agency, and thereby federal taxpayers. That is, the costs incurred by the Forest Service to administer its timber sales program have surpassed receipts generated from the resulting sales. In 2016, the Government Accountability Office (GAO) reported that from fiscal year (FY) 2005 to 2014, the Forest Service expended an average of \$12.5 million annually for timber-related activities and received only \$1.1 million on average in receipts from timber harvest, resulting in an average net loss of roughly \$11.4 million.

The receipts data GAO used to make its calculation were accurate, but the expenses of the Forest Service were understated; the GAO considered neither certain trust fund outlays nor the costs of roadbuilding to implement timber sales.

Including outlays from trust funds providing for specific types of timber sales and reforestation after timber harvest, the Forest Service's annual expenses on timber-related activities averaged nearly \$14 million over the 10-year period, resulting in an average annual net loss of \$12.9 million. Extending the same methodology, the Forest Service lost \$13.8 million on average over the 20-year period from FY 1999 to 2018 administering timber sales.

However, these annual loss averages do not take into account the millions of dollars the Forest Service spends annually to build and maintain roads in the Tongass National Forest, of which the "vast majority ... were developed for timber harvest purposes."<sup>1</sup> Despite their primary intended use – to facilitate timber harvest – the costs of building and maintaining these National Forest System roads are often fully paid for by the Forest Service. If all roadbuilding costs are taken into account, the Forest Service has lost \$24.2 million on average annually over the last 20 years providing for timber sales in the Tongass National Forest.

---

<sup>1</sup> U.S. Forest Service, "Final Environmental Impact Statement: Tongass Land and Resource Management Plan," June 2016, Appendix C, pg. C-4

## Average Annual Receipts, Expenses, and Losses from Tongass Timber Sales

(\$ in millions)

| Calculation Source                  | Time Period (FY) | Costs Considered   |             |               | Average Receipts | Average Costs | Average Loss |
|-------------------------------------|------------------|--------------------|-------------|---------------|------------------|---------------|--------------|
|                                     |                  | Timber Sale Admin. | Trust Funds | Road-building |                  |               |              |
| GAO - 2016 Report                   | 2005 - 2014      | X                  |             |               | \$1.1            | \$12.5        | -\$11.4      |
| Reported USFS receipts and expenses | 2005 - 2014      | X                  | X           |               | \$1.1            | \$14.0        | -\$12.9      |
| Reported USFS receipts and expenses | 1998 - 2018      | X                  | X           |               | \$1.3            | \$15.1        | -\$13.8      |
| Reported USFS receipts and expenses | 1999 - 2018      | X                  | X           | X             | \$1.3            | \$25.5        | -\$24.2      |

### POW-LLA Timber Sale Projections

Under the Selected Alternative, the POW-LLA would provide for the sale of 656 million board feet (MMBF) of timber from approximately 43,000 acres over 15 years. The net fiscal result of the planned timber sales depends on a number of factors including Forest Service administrative costs, road-building costs, and harvester bids. Nonetheless, if the costs and receipts associated with the POW-LLA sales conform to historical averages, taxpayers could lose up to \$400 million.<sup>2</sup>

The Forest Service does not track incurred costs or outlays at the project level, as the GAO has noted.<sup>3</sup> As a result, precise figures on amounts lost by taxpayers from previous timber sales on Prince of Wales Island are unavailable as comparables for estimating future POW-LLA sales' net fiscal result. Instead, the average net cost to taxpayers of Tongass timber sales is calculated from publicly reported receipts and budget expenses data from FY1999 to FY2018.

Over the FY1999-2018 period, Tongass timber sales cost taxpayers more than \$598 million, in 2018 dollars. In that window Forest Service Cut & Sold reports state that 978 MMBF were sold in the Tongass, equating to an average loss of approximately \$612/MBF sold. If the sale of 656 MMBF through the POW-LLA project generates losses at the same rate, the project will cost taxpayers \$401.4 million.

### POW-LLA Implementation Activities

Among other activities, the Out-Year plan for the POW-LLA project includes the completion of surveys for Commercial Timber Harvest, and Precommercial Thinning activities in FY19-FY21. These surveys and actions will help the Forest Service determine which timber stands to offer in what combinations, and at what times. In these decisions, the Forest Service is preoccupied with the financial attractiveness of timber sales to local logging companies to the exclusion of its proper fiduciary responsibility to taxpayers.

In the Final Environmental Impact Statement (FEIS), the Forest Service states that it prepares timber sales in consideration of purchasers' profits: "The value of the timber offered must be sufficient to cover costs and offer a percent of profit to purchasers."<sup>4</sup> The agency also noted that to prepare timber sales that

<sup>2</sup> TCS calculation using USFS outlays data reported in annual Evaluation & Monitoring Reports and receipts data collected from USFS Secure Rural Schools -- All Service Reports. Expenses and receipts stated in 2018 dollars.

<sup>3</sup> GAO, "FEDERAL TIMBER SALES: Forest Service Could Improve Efficiency of Field-Level Timber Sales Management by Maintaining More Detailed Data," GAO-07-764, June 27, 2007.

<sup>4</sup> U.S. Forest Service, "Prince of Wales Landscape-Level Analysis Project: Final Environmental Impact Statement," (POW-LLA FEIS), October 2018, Page 113.

consistently appraise positive, it will need to combine timber stands with greater economic potential with those of lesser economic opportunities.<sup>5</sup>

TCS understands that the approach adopted by the Forest Service conforms to legislative directives passed in annual appropriations acts, namely:

*No timber sale in Alaska's Region 10 shall be advertised if the indicated rate is deficit (defined as the value of the timber is not sufficient to cover all logging and stumpage costs and provide a normal profit and risk allowance under the Forest Service's appraisal process) when appraised using a residual value appraisal. (P.L. 116-6, Division E, Sec. 410)*

However, this language does not preclude the agency from taking into account the best interest of taxpayers. To minimize net losses from the Tongass timber program, the Forest Service should immediately halt preparation of sales through the POW-LLA project and other projects, and redesign sales to both meet legislative directives and generate a positive return to taxpayers.

Before the Forest Service proceeds with any POW-LLA sales as planned, the agency should improve the fiscal impact of its sales by using its staff and budgetary resources strategically. Reducing the cost to prepare and administer timber sales would improve their net fiscal return.

While completing the Commercial Timber Harvest and Precommercial Thinning activities listed in the Out-Year plan, the Forest Service should continuously evaluate the expected efficiency of its operations. For example, if significant staff time and resources would be expended to evaluate timber stands with dubious economic prospects, the Forest Service should deviate from its plan and re-direct agency focus elsewhere.

## Road Construction and Maintenance Activities

### Background and POW-LLA Considerations

In the past, Forest Service expenditures to build or reconstruct roads in the Tongass National Forest for timber stand access have been a major driver of the taxpayer losses generated by timber sales. By partially or fully funding the roadbuilding activities associated with timber harvests, the Forest Service subsidizes the timber industry at immediate cost to taxpayers, and incurs future liabilities by adding to its deferred maintenance backlog.

Over the last 20 fiscal years (FY1999-2018), the Forest Service has spent nearly \$209 million dollars in the Tongass through its capital maintenance and improvement budget for roads alone. The vast majority of these funds were used to construct new roads for timber access,<sup>6</sup> or maintain roads that were once built for timber access.<sup>7</sup> Currently, the Forest Service reports 4,008 miles of existing roads on National Forest System (NFS) lands in the Tongass. Current plans to add to that total for POW-LLA timber sales could cost millions of dollars and increase the agency's maintenance budget with negligible fiscal benefit.

Under the Selected Alternative for the POW-LLA, the Forest Service anticipates the construction of 129 miles of temporary roads and 35 miles of NFS roads, and the reconstruction of 90 miles of current roads.<sup>8</sup> Development of these roads is projected to cost \$29.5 million in total.<sup>9</sup>

In the POW-LLA, the Forest Service notes that timber harvest contracts should include road construction costs, but then adds, "Some years, congressionally-appropriated funds are allotted for road projects as part

<sup>5</sup> Id. Page 122

<sup>6</sup> Id. Page 331: "The need for road construction is largely determined by the need to access timber units."

<sup>7</sup> See Note 1.

<sup>8</sup> POW-LLA FEIS, Page 142.

<sup>9</sup> Id. Page 334

of the budget.<sup>10</sup> This creates significant uncertainty about the Forest Service's intended activities and use of the Forest Service budget. Any use of appropriated funds for roadbuilding would constitute a subsidy to the timber purchaser. The Forest Service should acknowledge any plans to build roads on the purchasers' behalf and report any funds used in service of road construction in the Implementation Record.

Forest Service funding for roadbuilding is particularly concerning to TCS given the limited long-term utility of the roads proposed for the POW-LLA. Of the 138 miles of roads listed in Travel Management Appendix to the Final Record of Decision, 117 miles – or 85 percent – are slated for closure after the initial period of activity. Of the remaining 21 miles, the Forest Service only plans to maintain 11.23 for public vehicle access, and designates the rest to be used for Motorized Trails.

Regardless of their Objective Maintenance Level (OBML), all road miles constructed for the POW-LLA project will need to be either maintained or decommissioned after their initial use period, and will therefore add to future Forest Service costs. Unfortunately, the Forest Service neglected to include any projections of these costs in its project analysis. The Forest Service should publish these projections, as well as the “supporting documentation outlining where regional costs were derived,” as directed by the Regional Forester,<sup>11</sup> on the public project page.

#### POW-LLA Implementation Activities

The Out-Year plan for the POW-LLA, as posted for public comment in April 2013, does not include any planned Transportation activities. The POW-LLA Implementation Plan disseminated as Appendix 2 to the Final Record of Decision indicates that the public will have the opportunity to comment on any activities the Forest Service intends to implement before they are included in the Out-Year plan. TCS therefore understands the omission of any Transportation activities in the Out-Year plan to mean the Forest Service is not preparing to engage in roadbuilding or road reconstruction in the coming fiscal years. This is contradicted by the Forest Service's previously published plans to offer 50 MMBF of timber through the POW-LLA in 2019.<sup>12</sup>

Transportation infrastructure and its management are an integral part of the Forest Service's project analysis, and any transportation activities must be included in the agency's documentation of its ongoing POW-LLA implementation. The Forest Service should immediately provide information to the public pertaining to any upcoming transportation activity to allow for meaningful public comment.

Thank you for the opportunity to provide comments.

---

<sup>10</sup> *Ibid.*

<sup>11</sup> US Forest Service, *POW-LLA, Final Record of Decision*, “Exhibit R-1 – Response to the Reviewing Officers Instructions,” March 2019, Page 38.

<sup>12</sup> US Forest Service, “Tongass National Forest 5 Year Timber Sale Schedule 2019–2023,” February 2019.