Lost in the Forest:

How the Forest Service's Misdirection, Mismanagement, and Mischief Squanders Your Tax Dollars

Taxpayers for Common Sense

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Taxpayers for Common Sense
Washington, DC

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EXECUTIVE SUMMARY

The U.S. Forest Service has long been criticized as one of the most fiscally mismanaged agencies in the federal government. Countless studies and congressional investigations have chronicled waste, fraud, and fiscal abuse at the agency. Recent efforts by the Bush administration to decentralize Forest Service road construction, agency oversight, and the timber program will only compound the agency's financial management problems and cost U.S. taxpayers more money.

A prime example is the Bush administration's failure to address the $8.4 billion road maintenance backlog, while advancing an agenda that promotes new road construction and increased commercial logging. The administration has attempted to undo, for instance, the Roadless Area Conservation Rule, a policy that limits the building of most roads in some national forests. While the timber industry has been the primary beneficiary of these roads, taxpayers have been left to foot the bill for significant road construction and long-term maintenance costs. As a result of the Forest Service's well-documented mismanagement over many years of the timber sale program, taxpayers also have been stuck with the tab for hundreds of millions of dollars worth of subsidies to a profitable timber industry.

This report is based on information provided by the Forest Service, including responses to requests filed under the Freedom of Information Act. Taxpayers for Common Sense collected, calculated, and analyzed thousands of Forest Service documents including timber sale appraisal records.

Among this report's key findings:

- National forests in 16 states have a road maintenance backlog of more than $100 million each. The states include: Alaska, California, Washington, Oregon, Idaho, Colorado, South Dakota, Texas, and Michigan.

- Of the 382,000 miles of roads in the national forest system, only 21 percent meet adequate road maintenance standards.

- Taxpayers have provided more than $116 million in direct subsidies to the timber industry for construction of logging roads at a cost of nearly $15,000 per mile.

- The Forest Service has been unable to provide data on the cost of its timber sale program since FY 1998. At that time, the agency reported a $126 million loss. An independent analysis found losses to be three times that amount.

- According to the General Accounting Office, it will be at least 2004 until the Forest Service has a new accounting system in place, making it difficult, if not impossible, for Congress and taxpayers to hold the agency accountable for the cost of its timber sale program.

- Current efforts by the Bush administration to undo a national policy to limit road building and commercial logging in key areas of national forests will only increase taxpayer subsidies to the timber industry and the price taxpayers must pay for long-term road maintenance.

The data outlined in this report underscore the fact that limiting new road construction in national forests is not just about saving trees—it is also about saving taxpayers' money.

Road Maintenance Backlog

America's national forests are crisscrossed with roads. According to the U.S. Forest Service's *FY 2001 Road Accomplishment Report*, the national forest road network totals 382,000 miles[1]—longer than the Interstate Highway System and enough to circle the globe 17 times. During the 1980s, at the height of logging in national forests, Congress and the Forest Service focused on road construction instead of road maintenance, resulting in a backlog of needed road repairs that amounts to more than $8.4 billion.[2]

Of the 382,000 miles of "System Roads" in national forests, only 21 percent meet road maintenance objectives. A majority of Forest Service roads are not in adequate enough condition to ensure safe driving conditions. Typically they lack drainage improvements, alignment improvements, shoulder widening, bridge replacements, and guardrail installation.

An analysis of new data has found that national forests in 16 states have a road maintenance backlog of more than $100 million each. These states include Alaska, California, Washington, Oregon, Idaho, Colorado, South Dakota, Texas, and Michigan. Details of the backlog appear in Figure 1. For a listing of backlogs in all 50 states, see *Appendix*.

In addition, the Forest Service's road report lists 50,421 more miles as "unclassified roads," which are not technically counted as part of the official road system.[3] These "unclassified roads" are not required to meet management objectives or road maintenance standards.

The *FY 2001 Road Accomplishment Report* also maintained that, of the 382,000 miles of "System Roads" in national forests, only 21 percent meet road maintenance objectives. A majority of Forest Service roads are not in adequate enough condition to ensure safe driving conditions. Typically they lack drainage improvements, alignment corrections, shoulder widening, bridge replacements, and guardrail installation.[5]

According to a 1997 report by the Congressional Research Service, neglected road maintenance also contributes to hazardous conditions and can result in increased accidents and injuries on Forest Service roads. By properly maintaining national forest roads, the Forest Service would reduce the current number of collisions on its roads by one-half.[6]

As the Forest Service continues to neglect road maintenance, federal taxpayer liability will increase. Without a doubt, the road maintenance crisis is one of the major issues the Forest Service will face in the next decade.

Figure 1—Road Maintenance: Sixteen States With a Backlog of $100 Million

State	Deferred		Capital		Total
	Critical	Non-Critical	Critical	Non-Critical	
California	$ 239,333,721	$ 589,837,739	$ 65,192,566	$ 194,661,824	$1,089,025,849
Oregon	$ 135,000,405	$ 664,894,521	$ 94,310,721	$ 48,676,015	$ 942,881,661
Alaska	$ 6,916,817	$ 65,292,019	$ –	$ 735,277,838	$ 807,486,674
Montana	$ 117,922,525	$ 400,419,492	$ 20,192,803	$ 131,265,104	$ 669,799,924
Idaho	$ 190,534,830	$ 320,984,266	$ 49,597,835	$ 85,465,200	$ 646,582,131
New Mexico	$ 243,980,041	$ 157,551,014	$ 31,575,542	$ 47,559,904	$ 480,666,501
Arizona	$ 137,703,661	$ 117,554,097	$ 31,407,194	$ 20,829,676	$ 307,494,628
Washington	$ 34,702,866	$ 216,201,992	$ 5,716,131	$ 21,656,702	$ 278,277,692
Texas	$ 42,620,797	$ 116,142,989	$ 43,747,205	$ 42,800,795	$ 245,311,785
Utah	$ 59,982,331	$ 131,067,459	$ 5,652,249	$ 28,668,626	$ 225,370,665
Arkansas	$ 1,117,407	$ 184,411,630	$ –	$ 2,073,799	$ 187,602,836
Colorado	$ 35,287,690	$ 98,610,032	$ 21,637,724	$ 7,522,704	$ 163,058,150
Michigan	$ 96,477,245	$ 50,891,499	$ 6,534,557	$ 4,061,884	$ 157,965,184
Wyoming	$ 36,159,879	$ 103,783,531	$ 11,796,550	$ 2,691,764	$ 154,431,725
Nevada	$ 19,965,188	$ 34,492,048	$ 2,999,111	$ 82,439,889	$ 139,896,236
South Dakota	$ 16,622,949	$ 53,565,691	$ 23,129,332	$ 8,726,700	$ 102,044,671
Grand Total	**$ 1,414,328,350**	**$ 3,305,700,018**	**$ 413,489,520**	**$ 1,464,378,425**	**$ 6,597,896,314**

Critical maintenance costs—Addresses serious threats to public health or safety, a natural resource, or the ability to carry out the mission for the organization

Non-critical maintenance costs—Addresses potential risks to public or employee safety or health, compliance with codes, standards, regulations, etc., or needs that address potential adverse consequences to natural resources or mission accomplishments.

Deferred maintenance—Refers to upkeep that should have been performed in the past to meet specific standards. These activities include preventive maintenance, normal repairs, and other measures to slow deterioration of forest roads.

Capital improvement—Includes reconstructing roads to meet a higher standard, as well as road relocation. This funding line could also include widening a road to accommodate more traffic.

Taxpayer Subsidies for Road Construction

The American taxpayer has been saddled with the bill not only for the maintenance of roads primarily used by the timber industry, but also for their construction and reconstruction. From FY 1998 through FY 2001, the combined cost for road construction exceeded $116 million, or an average of almost $30 million annually.[7] More importantly, the costs being passed on to taxpayers are only increasing. Embedded in the Forest Service's road construction programs, these costs often are out of the view of the public and even Congress.

From FY 1998 through FY 2001, the combined cost for road construction exceeded $116 million, or an average of almost $30 million annually.

Until the late 1990s, road building in national forests was funded by two methods. Either Congress allocated funds for road construction through the annual appropriations process, or timber companies built the roads under the terms of the Purchaser Road Credit (PRC) program authorized by the National Forest Roads and Trails Act of 1964. Under the PRC program, the Forest Service compensated timber companies for road construction with an equivalent value of timber. The Forest Service determined this amount when it initially planned the timber sale by estimating the cost of building roads and subtracting that amount from the price the company paid for the timber.

During consideration of the FY 1998 Interior Appropriations Bill, Reps. John Porter (R-Ill.) and Joe Kennedy (D-Mass.) offered an amendment to eliminate the PRC Program, which came within two votes of passing. A similar amendment offered in the U.S. Senate by Sen. Richard Bryan (D-Nev.) also lost by a two-vote margin.[8]

In response to congressional pressure, in 1998 proponents of the PRC Program agreed to terminate it in exchange for a new subsidy for road construction called Specified Road Costs (SRC).[9]

The SRCs operate in much the same way as the PRCs did. These programs combined cost taxpay-

Figure 2—Taxpayer Subsidies for New Road Construction and Reconstruction by Forest Region: FY '98—FY '01

Regions	Road Construction Type (miles)			Road Subsidy Program (costs)		
FY 1998-2001 (Region #)*	Specified Roads	Temporary Roads	Reconstruction	Specified Roads	Temporary Roads	Purchaser Road Credits
Northern (1)	97	225	322	$ 6,260,900.00	$ 1,289,701.00	$ 5,054,079.00
Rocky Mountain (2)	68	8	512	$ 5,682,347.00	$ 15,263.30	$ 2,300,520.00
Southwestern (3)	1	–	33	$ 83,324.00	$ –	$ 96,570.00
Intermountain (4)	56	–	399	$ 2,250,133.00	$ –	$ 1,864,697.00
Pacific Southwest (5)	63	61	1,428	$14,460,463.85	$ 230,695.00	$ 764,335.00
Pacific Northwest (6)	98	483	1,510	$11,300,251.50	$ 2,358,565.00	$ 9,660,516.00
Southern (8)	116	1,634	1,079	$ 7,030,817.00	$ 4,552,177.30	$15,102,048.20
Eastern (9)	Insufficient Road Construction Data			$ 8,341.46	$ 1,450,044.60	$ 1,719,348.30
Alaska (10)	15	5	76	$15,550,239.60	$ 4,265,058.29	$ 2,821,436.40
TOTAL	**514**	**2,416**	**5,359**	**$ 62,626,817.41**	**$ 14,161,504.49**	**$ 39,383,549.90**

*There is no longer a region 7 within the Forest Service system following a reorganization of regional boundries.

ers over $518 million between FY 1992 and FY 2001.[10] While timber purchasers cover the actual road construction costs under both programs, the Forest Service still spends nearly $15,000 per mile of forest road for non-construction costs: planning, design, and oversight.[11]

Even more significant is the shift in responsibility for road construction cost overruns. Under the former PRC program, timber companies and other timber purchasers covered any cost overruns out of their own pockets. However, under the new SRC program, if the total cost of road construction exceeds the Forest Service's original estimate, then the agency will actually reduce the price to be paid for the timber by the purchasing company. As a result, the taxpayers, not timber companies, bear the brunt of cost overruns for road building.

In addition to the SRC program, the Temporary Road Costs (TRC) program provides a direct subsidy to the timber industry. As part of this program, the estimated cost of building so-called temporary roads, or roads that will not become part of the Forest Service's permanent road network, is deducted from the appraised price of timber. According to an analysis of 104 national forests, Temporary Road Costs applied between FY 1998 and FY 2001 resulted in taxpayer losses exceeding $14 million.

Timber Sale Giveaways

The taxpayer consequences of new road construction by the Forest Service in national forests also extends to the economic loss incurred by the Forest Service in managing timber sales.

The major reason for road construction in national forests is to facilitate commercial logging. Indeed, only 20 percent of national forest roads are open to all vehicle use.[12] It is critical to understand that the use of nearly 80 percent of national forest roads is limited to a small portion of the public. Excessive construction of new roads in national forests will only open the doors to even more wasteful, mismanaged timber sales and subsidies to the timber industry.

In appraising the fair market value of timber for sale, the agency continually discounts the real value . . . in order to spark competition that never occurs. Ultimately, timber sells for prices that are consistently well below market value.

Road building costs play a key role in how the Forest Service determines the price of the timber it sells. In appraising the fair market value of timber for sale, the agency continually discounts the real value of the timber in order to spark competition that never occurs. Ultimately, timber sells for prices that are consistently well below market value and consequently the administration of the timber sale program is rarely cost effective.

By definition, fair market value is the amount a willing buyer would pay a willing seller, neither under a compulsion to buy or sell. The Forest Service Manual states that the objective of the appraisal process is "to estimate fair market value for national forest timber" and the agency is authorized by the federal government to sell timber "at not less than the appraised price."[13]

To determine fair market value, the Forest Service's Transaction Evidence Appraisal system calculates the average price of previous sales of similar timber and arrives at a Predicted Bid Value by deducting bidders' expenses such as the estimated costs of logging, forest restoration, and road building associated with the new sale. Regional offices have the discretion to reduce the price by as much as another 20 percent in order to encourage competition.

This practice gives each regional office significant leeway in determining the appraised price of timber and discretion to adjust the price downward. This decentralized approach to appraisals, however, seems to have had little effect on making the process more competitive. Instead, it has significantly decreased timber sale prices and made general oversight much more difficult.

A recent analysis of timber sales conducted by the Forest Service found:

- 30 percent of all timber was sold with only one bid.
- 70 percent of all sales received zero, one, or two bids, demonstrating a stunning lack of competition in the overwhelming majority of timber sales.
- An astonishing 98 percent of sales in the Tongass National Forest took place in non-competitive markets.[14]

Timber offered for sale in non-competitive situations is often sold well below the appraised value and below its fair market value. According to the General Accounting Office (GAO), additional price reductions in non-competitive markets give the bidder timber at a discount from the Forest Service's estimated value of the timber.

Between FY 1998 and FY 2001, the Forest Service did not receive the appraised value for most national forest timber sales.[15] An analysis of the data demonstrates that additional price reductions lowered the appraised price of timber by more than $41,000 per sale. This over-reliance on additional price reductions resulted in the failure to recoup more than $78 million in revenue that could have offset some of the costs of managing the timber sale program. This represents a direct subsidy to the timber industry at a net loss to taxpayers and the U.S. Treasury.

Another element of the timber appraisal and sale process that negatively impacts taxpayers is the continued use of oral auctions in which timber purchasers only have to bid a few cents more than competitors to win a sale. It is well known that sealed bidding increases returns for federal timber because bidders must estimate the actual worth of the timber and price their bid accordingly.

Oral auctions have resulted in hundreds of millions of dollars in lost revenue for the U.S. Treasury. According to the GAO, if the Forest Service had utilized sealed auctions between 1992 and FY1996, $56 million in additional revenue could have been generated.[16]

Sealed bids, required for timber auctions on state lands, yield a higher return. Using sealed bids, northwestern states that sell timber from state-owned lands rely more on market indicators to set timber prices. A recent Forest Service study found that the price received for federal timber is more than 50 percent below prices paid for state-owned timber.[17]

Figure 3—Additional Price Reduction Totals by Region (1998-2001)

Forest Region (Region #)*	Total Number of Sold Timber Sales	Total Losses Due to Additional Price Reductions	Average Losses per Timber Sale Due to Additional Price Reductions
Northern (1)	554	$ 27,355,933.07	$ 49,378.94
RockyMountain (2)	286	$ 1,635,534.59	$ 5,718.65
Southwestern (3)	105	$ 231,128.51	$ 2,201.22
Intermountain (4)	246	$ 3,810,625.43	$ 15,490.35
Pacific Southwest (5)		Insufficient Appraisal Documentation	
Pacific Nortwest (6)	626	$ 42,122,938.57	$ 67,289.04
Southern (8)		Insufficient Appraisal Documentation	
Eastern (9)		Insufficient Appraisal Documentation	
Alaska (10)	74	$ 3,650,102.31	$ 49,325.71
TOTALS	**1891**	**$ 78,806,262.48**	**$ 41,674.39**

*There is no longer a region 7 within the Forest Service system following a reorganization of regional boundries.

The decentralized approach to the appraisal process seems to have had little effect on making the timber sales more competitive and profitable. It has, in fact, caused significant decreases in timber sale prices and has made oversight of the process across regions nearly impossible.

As a result, requests through the Freedom of Information Act to secure appraisal data from the ten regional offices of the Forest Service found that three regions provided incomplete data.

Figure 4—Timber Prices from State Lands Vs. National Forest Lands 1995-2000 (per thousand board feet)

	1995	1996	1997	1998	1999	2000
Montana–State Lands	$ 260.79	$ 239.40	$ 163.57	$ 165.08	$ 194.54	$ 158.71
Montana–National Forests	$ 150.08	$ 121.60	$ 140.99	$ 114.61	$ 133.38	–
Idaho–State Lands	$ 254.17	$ 169.93	$ 327.73	$ 273.62	$ 311.53	$ 150.82
Idaho–National Forests	$ 135.09	$ 96.88	$ 154.31	$ 132.57	$ 162.66	$ 129.56
California–State Lands	$ 428.51	$ 460.02	$ 143.36	$ 380.60	$ 593.51	–
California–National Forests	$ 109.30	$ 117.08	$ 105.52	$ 81.51	$ 84.57	$ 85.43
Eastern Oregon–State Lands	–	–	$ 359.13	$ 299.87	$ 294.74	$ 365.23
Eastern Oregon–National Forests	–	$ 85.90	$ 70.47	$ 63.61	$ 77.27	$ 59.58
Western Oregon–State Lands	–	$ 457.90	$ 415.43	$ 277.27	$ 351.21	$ 336.41
Western Oregon–National Forests	–	$ 233.82	$ 258.10	$ 177.90	$ 215.02	$ 168.55
Eastern Washington–State Lands	–	$ 226.84	$ 227.01	$ 221.77	$ 269.78	$ 322.10
Eastern Washington–National Forests	–	$ 92.87	$ 87.04	$ 96.62	$ 102.77	$ 118.76
Western Washington–State Lands	–	$ 440.47	$ 432.37	$ 310.78	$ 378.96	$ 345.53
Western Washington–National Forests	–	$ 246.99	$ 217.62	$ 88.95	$ 140.54	$ 20.56

Irresponsible Accounting

For at least three decades, the Forest Service has had serious fiscal management and accountability problems. The General Accounting Office, U.S. Department of Agriculture Office of Inspector General (OIG), members of Congress, and others have repeatedly documented Forest Service failures to properly account for expenditures, track assets worth billions of dollars, or reconcile account balances with the U.S. Treasury on a regular basis.

Over the last decade, the Forest Service has failed eight out of ten Inspector General audits.[18] The GAO has also identified serious shortcomings in the implementation of new agency accounting systems and criticized agency leadership for failing to implement recommended changes to improve accountability.[19]

Over the last decade, the Forest Service has failed eight out of ten Inspector General audits.

Recently, the Office of the Inspector General noted failures to reconcile account balances with the U.S. Treasury and inadequate financial records.[20] Additional findings of the audit concluded:

- $4.7 billion of $7.9 billion in adjustments made at the end of the fiscal year had inadequate supporting documentation, and an additional $2.9 billion had no supporting documentation whatsoever;
- The Forest Service was unable to reconcile account balances amounting to $243 million in expenditures and deposits with the U.S. Treasury;
- The Forest Service did not have adequate documentation to support assets worth nearly $5 billion.

Nowhere is the Forest Service's mismanagement more apparent than in its timber program. Plagued by more than three decades of failed accountability, the Forest Service is unable to accurately determine the extent of the timber program's cost and has no real mechanism to provide taxpayers with a basis to evaluate profit and losses of its timber sale program.

As early as the 1970s, it became apparent that the Forest Service spent more for planning and administering timber sales than it made from the transactions themselves.[21] In the 1980s, heightened scrutiny over the Forest Service's fiscal practices led to a congressional mandate to develop an accounting system for the timber program that would enable the agency to report accurately on the economic performance of sales.

To accomplish this, the Timber Sale Program Information Reporting System (TSPIRS) was initiated as a way to track how timber sale money was allocated. Until 1997, the Forest Service used accounting gimmicks that hid actual costs of road building, reforestation, and other expenditures in order to make the timber program look cost effective.

Even these questionable accounting practices, however, could not mask losses that the timber sale program experienced in 1998. Abruptly and without any clear explanation, the Forest Service decided to stop compiling TSPIRS information and announced it would develop a new accounting system.[22]

According to the last TSPIRS Report,[23] released by the agency two and a half years after the close of the fiscal year, the Forest Service's timber sale program lost $126 million in 1998.

In comparison, an independent analysis of data received under the Freedom of Information Act, which applied techniques established by the GAO to determine the timber sales' actual effect on the U.S. Treasury, found that the real losses from the timber sale program were more than three times as great. The Taxpayers For Common Sense report, *In the Red*,[24] calculated that the Forest Service's timber program losses in FY 1998 exceeded $407 million with only 6 out of 111 national forests generating sufficient revenue to cover the costs of timber sales.

According to the last [timber sale program] Report which was released by the agency two and a half years after the close of the fiscal year, the Forest Service's timber sale program lost $126 million in 1998.

It is highly likely that actual timber sale losses are even greater. The bottom line is that it is impossible to know. A 2001 GAO report, *Annual Costs of Forest Service's Timber Sales Program Are Not Determinable*, found that because of "serious accounting and financial reporting deficiencies," the GAO was unable to make an "accurate determination of the total federal costs associated with the timber sale program for fiscal years 1998 and 1999."[25] Specifically, the report referenced two agency accounting practices that had not been reformed, even though government auditors cited the practices as major problems.[26]

The first questionable practice identified by the GAO, known as "charge as budgeted," posts charges to a program based on the amount of time that an employee was budgeted to work on that program, regardless of the time actually spent. This causes project and program costs to be distorted, preventing the Forest Service from reporting reliable cost information.

The second accounting practice questioned by the GAO, "retroactive redistribution," redirects costs from one program, such as timber sales, to another, such as recreation management, based on availability of funds and other factors. No audit trail exists, such as a record of the changes, to properly identify program costs. This makes it virtually impossible to determine the actual cost of agency programs.

According to the GAO, the Forest Service will not implement a new accounting system until FY 2004, leaving Congress and taxpayers with no basis for evaluating the Forest Service's timber sale program for the four-year period between FY 1999 and FY 2003. Moreover, if precedent is any indication, it could be well beyond 2004 before the data for that fiscal year is analyzed and released.

Bush Administration Policies

Despite promises to trim government waste, new policies of the Bush administration will keep the Forest Service on the road of unaccountability and fiscal irresponsibility. For example, the administration continues to focus on new road construction instead of fixing existing roads, and it wants to perpetuate a timber sale program that has cost the agency—and taxpayers—hundreds of millions of dollars. The administration is pursuing these policies, even though the public and Congress are in the dark about their profit and loss margins. What is clear, however, is that year after year taxpayers will end up paying a bill that will balloon over time.

Despite an $8.4 billion backlog in road maintenance and the almost 80 percent of national forest roads that do not meet basic standards, President Bush's FY 2003 budget request reduced annual road maintenance by $3.3 million and increased timber subsidies by $12 million.

Despite an $8.4 billion backlog in road maintenance and the almost 80 percent of national forest roads that do not meet basic roads standards, President Bush's FY 2003 budget request reduced annual road maintenance by $3.3 million and increased timber subsidies by $12 million.[27] As a result, the number of road miles that will be maintained to accepted management specifications will decline by the end of FY 2003, and will continue to spiral downward in future years.

The President's FY 2003 Forest Service Budget[29] identified $5.3 billion in deferred road maintenance needs and capital improvements. However, none of the estimates for deferred maintenance and capital improvement include the more than $3 billion of indirect agency costs to administer the program.[30] When these indirect costs are included, the total maintenance backlog on Forest Service roads exceeds $8.4 billion.[31] According to Forest Service sources, this number still underestimates the cost of the actual backlog, which by some estimates exceeds $10 billion.[32]

In addition to reducing timber subsidies and spending this money on maintaining the current road infrastructure, there are other solutions for improving management issues in the Forest Service. In 2001, the Forest Service adopted the Roadless Area Conservation Rule, which prohibits most road-building and commercial logging in 58.5 million acres of national forest land. Issued after the most extensive rulemaking in history, the roadless policy would de-emphasize the construction of new roads in currently undeveloped areas, thus allowing the Forest Service to focus on the mainte-

Figure 5—Status of Forest Service Roads[28]

Fiscal Year	Construction and Reconstruction (Miles)	Road System Total (Miles)	Unclassified Roads (Miles)	Roads Maintained to Standard (Percent)
1998	4,361	383,518	51,903	37.6%
1999	4,312	385,572	52,330	27.8%
2000	1,143	384,219	23,919	26.3%
2001	1,391	382,388	50,421	21.4%

nance of its existing road network. However, the future of this policy is uncertain as a result of actions by the Bush administration.

The administration recently approved a series of policy directives and changes to the Forest Service Manual that were designed to rescind the roadless rule by decentralizing decision making on new road building and timber sales in some of the national forests. In several obscure but significant directives issued by the Forest Service in the fall of 2001, road construction and commercial logging decisions, which would have been limited under the Roadless Area Conservation Rule, can now move forward at the discretion of local forest managers for a dozen national forests.

The Tongass National Forest is among the public lands affected by these policy changes. Now 30 timber sales, which would have been halted by the roadless rule, are moving forward.[33] To access timber from these potential sales, taxpayers will incur tens of millions of dollars in annual costs for new roads with minimal economic benefit.

National forests affected by the roadless rule have remained pristine because logging has not been economically viable in these areas. Accessing timber on steeply sloped terrain and at high elevations can increase the cost of road-building and other expenses dramatically.

According to information obtained through a Freedom of Information Act request, the Forest Service awarded $22.6 million in road subsidies to timber companies in Alaska's Tongass National Forest from FY 1998 to FY 2001. To encourage "competition," Alaskan timber sale prices have been sharply reduced, yet an astonishing 98 percent of timber sales in the Tongass were conducted on a noncompetitive basis. If the Forest Service moves forward as planned with these timber sales in the Tongass, the result will be more money-losing timber sales, the construction of more forest roads that will need to be maintained, and fatter federal subsidizes to the timber industry.

Furthermore, instead of directing more funding to the road maintenance backlog, the president's FY 2003 budget contains an increase of more than $12 million for the timber sale program. This spending increase flies in the face of the administration's free-market policy and can only result in an acceleration of the subsidies already provided to the timber industry, which come directly out of taxpayers' pockets.

Finally, the Forest Service abandoned its latest accounting system in 1998 and, according to the GAO, will not have new accounting procedures in place until 2004. It is imperative, therefore, that Congress responsibly exercise its oversight of the Forest Service and, in particular, its road construction and timber sale programs. Without such scrutiny, millions of dollars in taxpayer money will be lost in the forests forever.

Recommendations

The Forest Service should be able to collect the road building and timber management costs for the timber program in the national forests. There is no reason taxpayers should be paying for these programs. Congress needs to force the agency to reform itself by enacting the following changes:

- Force the Forest Service to release financial records for the timber program on an annual basis. This information is a good first step at creating accountability that this agency sorely lacks.

- Reform the Forest Service budget priorities. Too much money flows through the timber program even though its size has declined over the last decade.

- Increase the focus on road maintenance. Congress should institute a fix-it-first strategy: no money for new roads until the maintenance crisis is brought under control.

- Ensure that the Forest Service institutes a sealed bid process for timber sales. This would save tens of millions of dollars annually by making bidding more competitive and forcing timber companies to pay closer to market value for taxpayer-owned trees.

- Support the Roadless Area Conservation Rule. It is virtually impossible for the Forest Service to maintain the current 382,000-mile road network. Implementation of the rule will help bring management of the mammoth forest road network under control.

Appendix

Road Maintenance Backlog per State

State	Deferred		Capital		Total
	Critical	Non-Critical	Critical	Non-Critical	
Alabama	$ 2,414,412	$ 18,418,876	$ 23,548	$ 209,047	$ 21,065,883
Alaska	$ 6,916,817	$ 65,292,019	$ –	$ 735,277,838	$ 807,486,674
Arizona	$ 137,703,661	$ 117,554,097	$ 31,407,194	$ 20,829,676	$ 307,494,628
Arkansas	$ 1,117,407	$ 184,411,630	$ –	$ 2,073,799	$ 187,602,836
California	$ 239,333,721	$ 589,837,739	$ 65,192,566	$ 194,661,824	$1,089,025,849
Colorado	$ 35,287,690	$ 98,610,032	$ 21,637,724	$ 7,522,704	$ 163,058,150
Connecticut	NA	NA	NA	NA	NA
Delaware	NA	NA	NA	NA	NA
Florida	$ 6,566,742	$ 6,952,107	$ 312,853	$ –	$ 13,831,702
Georgia	$ 45,062,158	$ 15,674,562	$ 7,409,296	$ 4,124,679	$ 72,270,694
Hawaii	NA	NA	NA	NA	NA
Idaho	$ 190,534,830	$ 320,984,266	$ 49,597,835	$ 85,465,200	$ 646,582,131
Illinois	$ 10,157	$ 1,127,557	$ –	$ 4,013,244	$ 5,150,958
Indiana	$ 8,535,507	$ 10,776,060	$ 9,914,559	$ 631,251	$ 29,857,378
Iowa	NA	NA	NA	NA	NA
Kansas	NA	NA	NA	NA	NA
Kentucky	$ 30,393	$ 6,261,166	$ 137,157	$ 1,887,208	$ 8,315,924
Louisiana	$ 3,485,286	$ 35,742,579	$ –	$ 1,670,104	$ 40,897,969
Maine	NA	NA	NA	NA	NA
Maryland	NA	NA	NA	NA	NA
Massachusetts	NA	NA	NA	NA	NA
Michigan	$ 96,477,245	$ 50,891,499	$ 6,534,557	$ 4,061,884	$ 157,965,184
Minnesota	$ 3,798,658	$ 13,991,193	$ 5,622,141	$ 4,545,098	$ 27,957,090
Mississippi	$ 4,959,638	$ 15,415,938	$ 11,331,768	$ 5,985,936	$ 37,693,280
Missouri	$ 1,546,493	$ 3,974,852	$ 2,290,841	$ 2,354,041	$ 10,166,227
Montana	$ 117,922,525	$ 400,419,492	$ 20,192,803	$ 131,265,104	$ 669,799,924
Nebraska	$ 890,837	$ 4,771,115	$ 303,549	$ 59,855	$ 6,025,355
Nevada	$ 19,965,188	$ 34,492,048	$ 2,999,111	$ 82,439,889	$ 139,896,236
New Hampshire	$ 1,504,773	$ 2,893,155	$ 729,356	$ 821,858	$ 5,949,141
New Jersey	NA	NA	NA	NA	NA
New Mexico	$ 243,980,041	$ 157,551,014	$ 31,575,542	$ 47,559,904	$ 480,666,501
New York	NA	NA	NA	NA	NA
North Carolina	$ 25,922,813	$ 4,661,225	$ 1,828,815	$ 123,363	$ 32,536,216
North Dakota	$ 2,598,930	$ 52,992,010	$ 3,486,706	$ 5,069,164	$ 64,146,810
Ohio	$ 496,591	$ 526,938	NA	NA	$ 1,023,529
Oklahoma	NA	NA	NA	NA	NA
Oregon	$ 135,000,405	$ 664,894,521	$ 94,310,721	$ 48,676,015	$ 942,881,661

Road Maintenance Backlog per State (continued)

State	Deferred		Capital		Total
	Critical	Non-Critical	Critical	Non-Critical	
Pennsylvania	$ 1,852,998	$ 8,849,444	$ 327,119	$ 3,634,064	$ 14,663,624
Rhode Island	NA	NA	NA	NA	NA
South Carolina	$ 4,084,734	$ 40,638,428	$ 12,177	$ 46,702	$ 44,782,041
South Dakota	$ 16,622,949	$ 53,565,691	$ 23,129,332	$ 8,726,700	$ 102,044,671
Tennessee	$ 2,039,688	$ 18,475,401	$ 1,989,539	$ 18,310,909	$ 40,815,537
Texas	$ 42,620,797	$ 116,142,989	$ 43,747,205	$ 42,800,795	$ 245,311,785
Utah	$ 59,982,331	$ 131,067,459	$ 5,652,249	$ 28,668,626	$ 225,370,665
Vermont	$ 372,815	$ 2,249,186	$ 896,778	$ 1,546,308	$ 5,065,087
Virginia	$ 6,706,053	$ 10,306,904	$ 1,992,102	$ 6,722,022	$ 25,727,080
Washington	$ 34,702,866	$ 216,201,992	$ 5,716,131	$ 21,656,702	$ 278,277,692
West Virginia	$ 2,539,999	$ 48,275,924	NA	NA	$ 50,815,922
Wisconsin	$ 3,365,241	$ 15,831,530	$ 1,578,683	$ 6,694,886	$ 27,470,340
Wyoming	$ 36,159,879	$ 103,783,531	$ 11,796,550	$ 2,691,764	$ 154,431,725
Grand Total	**$ 1,543,113,267**	**$ 3,644,506,167**	**$ 463,676,506**	**$ 1,532,828,164**	**$ 7,184,124,103**

Endnotes

1 U.S. Department of Agriculture: U.S. Forest Service, *FY 2001 Road Accomplishment Report*. Washington, DC, 2001.

2 U.S. Department of Agriculture: U.S. Forest Service, *FY 2000 Proposed Budget Explanatory Notes for the Committee on Appropriations*. Washington, DC, 1999.

3 U.S. Department of Agriculture: U.S. Forest Service, *FY 2001 Road Accomplishment Report*. Washington, DC, 2001.

4 Chart based on analysis of Forest Service's 2001 Road Maintenance Report. A full maintenance backlog chart by forest and forest region can be viewed at www.taxpayer.net/forest. When Forest Service engineers review each state's national forest roads, they are asked to estimate 20% more or less what they think is the road maintenance backlog. In addition, there is an indirect cost of 18-20 percent that is not reported in order to facilitate comparison with the Forest Service Financial Statement. Direct costs include a number of activities such as program management and increased headquarter costs.
"NA" means that there are either no national forests in that state, or the majority of a national forest is in a neighboring state. In the latter case, the road maintenance backlog is given to the state that contains the majority of the national forest.

5 U.S. Department of Agriculture: U.S. Forest Service, *Public Forest Service Roads*, Washington, DC, 2000. Road maintenance standards are set by the National Highway Transportation Safety Administration (NHTSA), the Environmental Protection Agency, and specific Forest Service road management plans.

6 U.S. Department of Agriculture: U.S. Forest Service, *Public Forest Service Roads*, Washington, DC, 2000.

7 TCS analysis of Forest Service timber sale documents acquired via the Freedom of Information Act.

8 The vote in the U.S. House of Representatives occurred on July 10, 1997 (Roll No. 262) and in the Senate on September 17, 1997 (Roll No 242).

9 Department of Interior and Related Agencies Appropriations Act, PL105-277, Section 329, October 21, 1998.

10 Based on review of Purchaser Road Credit and Specified Road Credit data obtained from the Forest Service through a Freedom of Information Act request.

11 Gorte, Ross. Congressional Research Service, *Forest Roads: Construction and Financing* (July 1997). Washington, DC.

12 U.S. Department of Agriculture: U.S. Forest Service. *Public Forest Service Roads* (December 15, 2000). Washington, DC.

13 U.S. Department of Agriculture, Forest Service, *Forest Service Manual* 2002, Washington, DC.

14 This analysis omitted regions 5,8,9 due to anomalies in the appraisal documentation provided by the Forest Service.

15 TCS analysis of Forest Service timber sale documents acquired via the Freedom of Information Act.

16 U.S. General Accounting Office, *Forest Service: Barriers to and Opportunities for Generating Revenue*, (T-RCED-99-81, February 10, 1999).

17 Warren, Debra D. *Production, Prices, Employment and Trade in Northwest Forest Industries, All Quarters of 2000* (PNW-RB-236). U.S. Department of Agriculture, Forest Service, Pacific Northwest Research Station, Portland, OR, 2002.

18 A review of Forest Service financial management reports from the U.S. Department of Agriculture Office of the Inspector General. For more information, see http://www.usda.gov/oig.

19 U.S. General Accounting Office, *Forest Service: A Framework for Improving Accountability*, (RCED/AIMD-00-2), October 13, 1999.

20 U.S. Department of Agriculture: *Forest Service. Forest Service Audit of Fiscal Year 2001 Financial Statements* (USDA/OIG-A/08401-12-At), February 2002, Washington, DC.

21 Gorte, Ross. *Below-Cost Timber Sales: Overview*. Congressional Research Service, Washington, DC: December, 1994.

22 U.S. General Accounting Office, *Financial Management: Annual Costs of Forest Service's Timber Sales Programs Are Not Determinable*, (GAO-01-1101R), September 21, 2001.

23 U.S. Department of Agriculture: Forest Service. *FY 1998 TSPIRS Report*, (February 2002) Washington, DC.

24 Taxpayers for Common Sense. *In the Red: National Forest Logging Continues to Lose Millions*. Washington, DC, June 2001.

25 U.S. General Accounting Office, *Financial Management: Annual Costs of Forest Service's Timber Sales Programs Are Not Determinable* (GAO-01-1101R), September 21, 2001.

26 Ibid.

27 U.S. Department of Agriculture: *Forest Service. Forest Service's FY 2003 Budget Justification*, Washington, DC, Feb. 2002.

28 Chart based on U.S. Department of Agriculture's "Forest Service Road Accomplishment Reports FY 1998-2001." Washington, DC.

29 U.S. Department of Agriculture: Forest Service. *FY 2003 Budget Justification*. Washington, DC, Feb. 2002.

30 Ibid.

31 U.S. Department of Agriculture: U.S. Forest Service, *FY 2000 Proposed Budget Explanatory Notes for the Committee on Appropriations*, Washington, DC, 1999.

32 This number was confirmed by sources within the Forest Service.

33 U.S. Department of Agriculture: Forest Service, "Schedule of Proposed Action," Washington, DC, 2002. Sale information for the Tongrass National Forest can be found at Tongass National Forest Management News, www.fs.fed.us.

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