

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."¹ 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.**

¹ 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.²

The Forest Service does not track incurred costs or outlays at the project level, as the GAO has noted.³ 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/MMBF 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."⁴ The agency also noted that to prepare timber sales that

² 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.

³ 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.

⁴ 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.⁵

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,⁶ or maintain roads that were once built for timber access.⁷ 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.⁸ Development of these roads is projected to cost \$29.5 million in total.⁹

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

⁵ Id. Page 122

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

⁷ See Note 1.

⁸ POW-LLA FEIS. Page 142.

⁹ Id. Page 334

of the budget.”¹⁰ 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,¹¹ 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 2019.¹²

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.

¹⁰ Ibid.

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

¹² US Forest Service. “Tongass National Forest 5 Year Timber Sale Schedule 2019-2023.” February 2019.