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FOREST SERVICE
MANAGEMENT

Issues to Be Considered in
Developing a New
Stewardship Strategy

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Messrs. Chairmen and Members of the Subcommittees:

I am pleased to be here today to discuss issues that need to be considered in developing a strategy to reform the Department of Agriculture's Forest Service. The Forest Service is the steward of almost 30 percent of all federal lands and receives about 45 percent of the annual federal appropriations and personnel allocated to managing the nation's natural resources. Thus, the Forest Service plays a central role both in preserving the nation's natural resources and in sustaining their long-term economic productivity.

My observations today are based on the products that we have issued over the last several years on the activities and programs of the Forest Service and of the other three primary federal land management agencies--the Department of the Interior's National Park Service, Bureau of Land Management (BLM), and Fish and Wildlife Service. My remarks also draw on the results of our ongoing efforts to identify natural resources management issues to be considered by the Congress and the administration.

Over the last 5 years, we have issued 76 reports and testimonies on specific Forest Service activities and programs.¹ The Service has agreed with the majority of our positions and has made or is making a number of changes to respond to our recommendations.

In summary, our work has shown that many of the issues that need to be considered in developing a strategy to reform the Forest Service transcend the agency's existing jurisdictional boundaries and affect the future effectiveness and efficiency of the other three primary federal land management agencies. These issues include the need to

- stem the deterioration of the nation's natural resources and the related infrastructure on federal lands;
- obtain a better return for the sale or use of natural resources on federal lands and dedicate at least some of the additional revenues to the agencies or individual land units, such as the parks, forests, and wildlife refuges, that generated the revenues through their activities or programs;
- refocus, combine, or even eliminate certain missions, programs, activities, or field locations to increase the agencies' efficiency; and

¹See appendix I for a listing of the GAO reports and testimony.

- develop new approaches to preserve natural resources and sustain their long-term economic productivity by coordinating and managing activities and uses across existing jurisdictional boundaries.

To adequately address these issues, we believe that a coordinated interagency strategy may be needed to link Forest Service reforms with reforms currently being considered by other federal land management agencies.

INADEQUATE FUNDING TO ADDRESS DETERIORATING CONDITIONS

We have reported that the infrastructure of buildings, roads, trails, bridges, developed sites, water and sewer systems, dams, and other facilities constructed to provide access to or make use of natural resources on federal lands--approaching \$200 billion in value--is in a growing state of disrepair and that the condition of the lands is deteriorating. At the same time, federal land management agency staff are being asked to assume increasing responsibilities and to perform more duties.

As a result, existing maintenance and reconstruction standards are being compromised, and trade-offs are being made among important yet competing work priorities. For example, we reported that the Forest Service will require (1) at least \$644 million to eliminate maintenance backlogs and reconstruct trails and developed recreation sites and (2) millions of dollars more to develop and maintain special recreation and wilderness areas in accordance with current standards. Similarly, we reported that despite increases in the Forest Service's appropriations in recent years, funding and staffing levels are not sufficient to (1) bring recreational sites up to the condition called for by the Service's development plans and maintenance standards, (2) conduct the monitoring necessary to identify improper livestock grazing and devise remedies, or (3) implement actions to benefit wildlife set forth in approved land-use plans. Moreover, tightening budgetary constraints will require substantial cuts in discretionary spending in future years and will not allow funding for new or deferred needs.

OBTAINING A BETTER RETURN FOR THE SALE OR USE OF NATURAL RESOURCES ON FOREST SERVICE LANDS

One alternative to further cutbacks in services or maintenance standards would be to obtain a better return for the sale or use of natural resources on federal lands and to dedicate at least some of the additional revenues to the agencies or individual land units that generated the revenues through their activities or programs.

Below-Cost Timber Sales

For example, the Forest Service does not always recover its costs on sales of timber, resulting in below-cost sales.

Because the Forest Service does not maintain the data needed to estimate the annual receipts and costs associated with individual timber sales, it is difficult to determine precisely what budgetary savings could be achieved by phasing out all below-cost timber sales. However, we estimated that in fiscal year 1990, under our most conservative definition of costs, \$35.6 million in preparation and administration expenses went unrecovered. Our estimates ranged as high as \$112.2 million when we considered all operating costs and payments to states. To illustrate the savings that could be achieved by phasing out all below-cost timber sales, the Congressional Budget Office (CBO) estimated that the net savings in federal budget outlays over fiscal years 1994 through 1998 would be about \$230 million if all future timber sales were eliminated in three of the Forest Service's nine regions where, on average over the last decade, cash expenditures have exceeded cash receipts by a 3-to-1 ratio.

On April 11, 1991, the Forest Service issued a draft policy and guidelines to address below-cost timber sales on individual national forests. The draft policy would have called for evaluating sales costs for forests as a whole. While such a policy would have been a step in the right direction, it would not have been comprehensive because it would not have evaluated the cost-effectiveness of individual sales. This policy is currently being reevaluated within the Department of Agriculture.

CBO and we noted that eliminating below-cost timber sales could adversely affect the stability of communities in areas that depend on timber from federal lands for logging and other related jobs. To reduce the risk of economic hardship in these areas, CBO suggested that (1) the level of below-cost timber sales be lowered gradually, (2) federal training in job replacement skills be provided, and (3) greater development of other activities--such as tourism and recreation--in the national forests be encouraged. We observed that (1) if the federal government provides assistance to dislocated workers to help them obtain the skills to reenter the workforce, their receipt of benefits should be closely tied to participation in the training, (2) efforts to provide retraining and income support cannot sustain workers or their communities unless new jobs are created, and (3) helping dislocated workers before or when they lose their jobs increases the likelihood that they will participate in assistance programs, which in turn facilitate their transition to new employment.

Concessioners Operating on Forest Service Lands

In other situations, the Forest Service could also apparently receive a better return for the sale or use of natural resources on its lands. For example, as we reported in 1991 on the basis of available financial data, concessioners operating on Forest Service lands pay the government, on average, about 2.4 percent of their gross revenues. In April 1993 we reported that the current ski fee

system does not, as required by law, ensure that the Forest Service receives fees that are based on fair market value from permittees operating ski areas on its lands. In 1991, privately owned ski areas operating on Forest Service land generated \$737 million in gross sales but paid about \$13.5 million in fees, or about 2 percent of the total revenues generated, to the government.

Market-Based Incentives

Obtaining a better return for the sale or use of natural resources on Forest Service lands could have environmental as well as economic benefits. For example, the Forest Service and BLM are examining the potential for using an "incentive-based" grazing fee system to improve the condition of federal rangeland. Under this system, the agencies would base annual grazing fees on the market value of federal land forage but would then reduce fees for ranchers on federal lands in exchange for good land stewardship. We believe that such a system, if properly implemented, could reward ranchers whose land management practices improve the condition of the range. At the same time, the system could encourage other ranchers to emulate beneficial practices. The Forest Service and BLM expect to issue a draft environmental impact statement on the grazing fee system and on rangeland reform next month.

Focusing on incentives may provide other opportunities to encourage ecologically and economically sound use of the nation's natural resources. For example, some believe that forest managers should be rewarded for making money and protecting the environment. Currently, however, the Service receives most of its operating funds from receipts retained from timber sales and from appropriated funds linked primarily to timber management and harvest. Therefore, in every national forest--even in those where timber harvesting is uneconomic and other activities and uses are more valuable--forest managers are overwhelmingly dependent on timber sales for funds.

Some have suggested that forest managers be allowed to charge fair market value for all of the resources within their land units and that each land unit receive funds from the net receipts it earned the previous year. While this approach would require specific statutory authority, legislative precedent exists for returning revenues, such as user fees and timber sale receipts, to the agencies or land units carrying out the activities or programs.

Federal requirements that such receipts be deposited in the U.S. Treasury rather than returned to the agencies or land units that generated them have discouraged the agencies from generating additional revenues. For example, Interior's Office of Inspector General reported that the National Park Service did not collect as much as anticipated in entrance and user fees because the fees collected were not returned to the individual parks. Lack of

incentive, together with staffing and funding shortfalls, resulted in the Park Service's not collecting an estimated \$105 million during fiscal year 1991.²

Therefore, we believe that market-based incentives for both users and managers of natural resources on federal lands should not be excluded from discussions of reforms in the Forest Service and other federal land management agencies.

FINDING WAYS FOR THE FOREST SERVICE TO OPERATE MORE EFFICIENTLY

The current budgetary climate requires that the Forest Service find ways to operate more efficiently. Presently, the Forest Service is downsizing and restructuring its organization to reflect, among other things, declining timber sales and tightening budgetary constraints. To meet a \$10 million reduction in its administrative appropriation for fiscal year 1994, the Forest Service is reducing its headquarters and field staff. In addition, as part of its ongoing efforts to achieve cost efficiency, the Service is considering either combining functions or closing locations.

Budgetary constraints are leading other federal land management agencies to refocus, combine, or even eliminate certain missions, programs, and activities to increase efficiency within their individual frameworks of laws and land units. However, such an agency-by-agency approach does not have the potential to achieve the efficiencies that could be derived through a collaborative federal approach to land management.

Previously identified opportunities to simplify federal land management by consolidating responsibility for managing adjacent federal lands have not been implemented. For example, the June 1970 report to the President and the Congress by the Public Land Law Review Commission recommended that the Forest Service be transferred from the Department of Agriculture to the Department of the Interior, which would then be renamed the Department of Natural Resources.³ The Carter administration made a similar proposal, and in 1983 the President's Private Sector Survey on Cost Control, also known as the Grace Commission, recommended that the Forest Service and BLM combine administrative functions, eliminate duplication of

²See Recreation Fee Charges and Collections, National Park Service, U.S. Department of the Interior, Office of Inspector General (Report No. 93-I-793, Mar. 29, 1993).

³The Public Land Law Review Commission was established by the Congress in 1964 to conduct a thorough investigation of federal land management and report its findings to the President and the Congress.

efforts, and plan a program of jurisdictional land transfers to accomplish these objectives. No significant legislation resulted from these findings, proposals, or recommendations.

We believe that the current fiscal climate demands that the Forest Service and other federal land management agencies look beyond existing jurisdictional boundaries in their search to reduce costs, increase efficiency, and improve service to the public. We also believe that opportunities exist to increase the efficiency of federal land management by refocusing, combining, or eliminating certain missions, programs, activities, or field locations.

For example, in 1985 the Forest Service and BLM proposed to the Congress to merge all field offices located in the same communities in western Oregon, restructure boundaries to achieve optimum size and balance among land units, and eliminate some managerial and overhead positions. The agencies projected that this proposal would reduce the number of permanent employees by 280 and would achieve annual savings of \$10.3 million once it was fully implemented. Projected costs to implement the proposal were \$18.6 million over 5 years. However, no action was taken on the proposal.

Although the number of permanent Forest Service and BLM employees in western Oregon is currently below the level proposed in 1985, both agencies still maintain separate field offices in three western Oregon communities. Meanwhile, in south central Oregon, the Forest Service and BLM have begun an experiment in which a Forest Supervisor serves concurrently as a BLM District Manager in the same community. Objectives of the experiment include improving interagency coordination and customer services and streamlining the work of both agencies. We believe that such tests are needed to build support for consolidating the management of adjacent federal lands. Moreover, to increase the probability of success, we believe that the agencies should incorporate this and similar experiments into their ongoing efforts to downsize and restructure their respective organizations and that criteria should be developed to judge their progress toward achieving these objectives.

MANAGING NATURAL RESOURCES ACROSS EXISTING FEDERAL LAND UNITS AND AGENCIES

In addition to budgetary constraints, scientific research seems to dictate that all federal land management agencies, including the Forest Service, rethink their organizational structures and relationships with one another.

Federal land units do not exist in isolation and what occurs on nearby federal and nonfederal lands can and often does dramatically affect the land units. Moreover, scientific research has increased understanding of the importance and functioning of

natural systems, such as watersheds, airsheds, soils, and vegetative and animal communities, specific components of which, such as threatened and endangered species and wetlands, are protected under various environmental statutes. This research has established that the long-term production of renewable natural resources depends on sustaining the integrity and functioning of natural systems. Therefore, stemming the decline in the ecological health of these systems may be necessary to sustain their long-term economic productivity.

During the last 2 years, the Forest Service and the other three primary federal land management agencies have announced their intentions to preserve natural systems by implementing an approach that has come to be known as ecosystem management, and the administration is currently considering a strategy to implement this approach across the federal government. However, since the boundaries of natural systems and of the ecosystems that they combine to form are not consistent with the boundaries of existing federal land units, ecosystem management may require that activities and uses be coordinated and managed across existing federal land units and agencies.

At the request of the Chairman of the House Committee on Natural Resources and others, we are examining (1) the basis for moving toward ecosystem management, (2) the status of federal efforts to implement the approach, (3) the requirements for implementing it, and (4) possible strategies for implementing it nationwide. We plan on issuing a report on these issues this spring.

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In summary, Messrs. Chairmen, our work has shown that budgetary constraints and scientific findings will challenge the Forest Service as never before to find new and different ways to achieve program goals with fewer resources and to realize the agency's vision for the future in an affordable manner. Responding to these challenges will be neither quick nor easy.

We believe that the Forest Service needs to work closely with the Congress to obtain a better return for the sale or use of natural resources on its lands. It also needs to work with the Congress and other federal land management agencies to find ways to operate more efficiently and to manage activities and uses across existing federal land units so as to preserve the nation's natural resources and sustain their long-term economic productivity. We believe that to accomplish these objectives, a coordinated interagency strategy may be needed to link Forest Service reforms to reforms being considered by other federal land management agencies. The ultimate goal of this strategy would be to coordinate and integrate the programs, activities, and functions of the Forest Service with those of the other federal land management

agencies so that these agencies operate as a unit at the local level.

Messrs. Chairmen, this concludes my statement. I will be happy to respond to any questions that you or other Members of the Subcommittees may have.

PERTINENT GAO REPORTS AND TESTIMONIES
BY SUBJECT AREA

MANAGEMENT ISSUES

Natural Resources Management: Issues to Be Considered by the Congress and Administration (GAO/T-RCED-93-5, Feb. 2, 1993).

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TIMBER MANAGEMENT

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Forest Service Needs to Improve Efforts to Reduce Below-Cost Timber Sales (GAO/T-RCED-91-43, Apr. 25, 1991).

Forest Service Needs to Improve Efforts to Protect the Government's Financial Interest and Reduce Below-Cost Timber Sales (GAO/T-RCED-91-42, Apr. 24, 1991).

Better Reporting Needed on Reforestation and Timber Stand Improvement (GAO/T-RCED-91-31, Apr. 16, 1991).

Tongass National Forest: Contractual Modification Requirements of the Tongass Timber Reform Act (GAO/RCED-91-133, Mar. 28, 1991).

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MINERALS MANAGEMENT

Mineral Resources: Value of Hardrock Minerals Extracted From and Remaining on Federal Lands (GAO/RCED-92-192, Aug. 24, 1992).

Federal Land Management: Unauthorized Activities Occurring on Hardrock Mining Claims (GAO/RCED-90-111, Aug. 17, 1990).

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Federal Land: Little Progress Made in Improving Oversight of Concessionaires (GAO/T-RCED-93-42, May 27, 1993).

Forest Service: Little Assurance That Fair Market Value Fees Are Collected From Ski Areas (GAO/RCED-93-107, Apr. 16, 1993).

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Federal Lands: Improvements Needed in Managing Concessionaires (GAO/RCED-91-163, June 11, 1991).

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Forest Service: Difficult Choices Face the Future of the Recreation Program (GAO/RCED-91-115, Apr. 15, 1991).

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Ranching Operations on Public Lands (GAO/RCED-93-212R, Aug. 17, 1993).

Large Grazing Permits (GAO/RCED-93-190R, June 25, 1993 and GAO/RCED-93-190R(S), July 16, 1993).

Rangeland Management: Profile of the Forest Service's Grazing Allotments and Permittees (GAO/RCED-93-141FS, Apr. 28, 1993).

Rangeland Management: Results of Recent Work Addressing the Performance of Land Management Agencies (GAO/T-RCED-92-60, May 12, 1992).

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Federal Land Management: Status and Uses of Wilderness Study Areas (GAO/RCED-93-151, Sept. 23, 1993).

Wilderness Management: Accountability for Forest Service Funds Needs Improvement (GAO/RCED-92-33, Nov. 4, 1991).

Forest Service Wilderness Management Funding (GAO/T-RCED-91-11, Feb. 26, 1991).

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National Forests: Funding Fish and Wildlife Projects (GAO/RCED-91-113, June 12, 1991).

Public Land Management: Attention to Wildlife Is Limited
(GAO/RCED-91-64, Mar. 7, 1991).

Endangered Species: Spotted Owl Petition Evaluation Beset by Problems (GAO/RCED-89-79, Feb. 21, 1989).

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Financial Audit: Forest Service's Financial Statements for Fiscal Year 1988 (GAO/AFMD-91-18, Mar. 18, 1991).

Forest Services Efforts to Improve It's Financial Management Systems (GAO/T-AFMD-90-19, May 2, 1990).

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Federal Lands: Public Land Access (GAO/T-RCED-94-72, Nov. 9, 1993).

U.S. Forest Service: Independence Still Lacking in Law Enforcement Organization (GAO/T-OSI-94-1, Oct. 5, 1993).

USDA Revenues: A Descriptive Compendium (GAO/RCED-93-19FS, Nov. 27, 1992).

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