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RE: U.S. Forest Service Central Tongass Project Draft Environmental Impact Statement (DEIS)

Thank you for the opportunity to provide public comment on the Draft Environmental Impact Statement (DEIS) prepared for the Central Tongass Project published in July 2019. 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 Central Tongass Project 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

Center Tongass Timber Sale Projections

Under the two action alternatives evaluated in the DEIS, the Central Tongass project would provide for the sale and harvest of up to 230 million board feet (MMBF) or 201 MMBF of timber over 15 years. These harvests would take place across 13,500 acres (Alternative 2) or 11,725 acres (Alternative 3) of the project area. 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 Central Tongass project sales conform to historical averages, taxpayers could lose up to \$140 million (Alt. 2) or \$123 million (Alt. 3).**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 in the project area are unavailable as comparables for estimating future Central Tongass 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 201 or 2013 MMBF through the Central Tongass project generates losses at the same rate, the project will cost taxpayers \$123 million or \$140 million.

In the Draft Environmental Impact Statement (DEIS), 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

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)

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, "Central Tongass Project DRAFT EIS," July 2019. Page 63.

However, this language does not preclude the agency from taking into account the best interest of taxpayers and as stewards of the taxpayer-owned resource, the Forest Service should/must provide taxpayers are due a fair return for the timber we own. To minimize net losses from the Tongass timber program, the Forest Service should design timber sales for the Central Progress project to both meet legislative directives *and* generate a positive return to taxpayers.

Before the Forest Service proceeds with analysis of alternatives for the Central Tongass project 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.

Road Construction and Maintenance Activities

Road Building 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,⁵ or maintain roads that were once built for timber access.⁶ Currently, the Forest Service reports 908 miles of existing NFS roads in the project area. Current plans to add to that total for Central Tongass timber sales could cost millions of dollars and increase the agency's maintenance budget with negligible fiscal benefit.

Under the two action alternatives for the project, the Forest Service anticipates the construction of 82-93 miles of temporary roads and 22-25 miles of NFS roads, and the reconstruction of 63 miles of current roads.⁷ Development of these roads is projected to cost \$19.1 million to \$21.8 million in total.⁸

In the DEIS, the Forest Service notes that timber harvest contracts should include road construction costs, but then adds, "In some years, congressionally-appropriated funds are available to pay for all or a portion of NFS road costs for roads used for a timber sale..."⁹ 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 in the project record.

Log Transfer Facility Considerations

Compared to other recent projects providing for large timber sales in the Tongass, such as the Big Thorne project and the Prince of Wales Landscape Level Analysis Project (POW-LLA), the Forest Service is projecting the need for significantly more investment in log transfer facilities (LTFs) for the Central Tongass project. For example, the Forest Service projected that the cost of maintenance and reconstruction of 13 LTFs and the construction of two new LTFs for the POW-LLA project would cost \$3.8 million.¹⁰ For the Central Tongass project activities, the Forest Service anticipates that 15 existing

⁵ Id. Page 360: "The need for road construction is mostly determined by the need to access timber units."

⁶ See Note 1.

⁷ Central Tongass DEIS. Page 348.

⁸ Id. Page 366

⁹ Id. Page 64

¹⁰ U.S. Forest Service, "Prince of Wales Landscape Level Analysis Project: Final Environmental Impact Statement," (POW-LLA FEIS). October 2018. Page 333.

LTFs would require maintenance and reconstruction, and three new LTFs would need to be constructed for a total cost of \$6.1 million.¹¹

Current documentation in the project record as well as Forest Service guidance materials¹² are unclear about whether the agency typically covers LTF investment costs, or whether such costs are included in purchaser contracts. The plain meaning of language in the DEIS,¹³ as well as documented payments for LTF work and permits in the past by the Forest Service in the Federal Procurement Data System suggests the Forest Service will cover the \$6.1 million in indicated LTF costs.

If that is the case, proceeding with either action alternative and the associated timber sales is all but guaranteed to lose U.S. taxpayers millions of dollars. Over the last seven fiscal years, FY2012-2018, the Forest Service only collected \$5.5 million in timber receipts, in 2018 dollars, generated from 238 MMBF of cut Tongass timber. There is no reason to expect that the harvest of fewer board feet in the Central Tongass project area would generate enough in receipts to cover the expected LTF costs, much less the Forest Service's administrative and roadbuilding costs associated with planned timber sales. As a result, carrying out either of the two action alternatives as currently designed would lead to even greater losses to taxpayers than are typical in the Tongass.

In addition to clarifying the party responsible for covering LTF costs, the Forest Service should publish a detailed accounting of all agency costs associated with the Central Tongass project and reconsider further action if future receipts from timber sales are not expected to cover those costs. Specifically, the Forest Service should conduct and publish a financial efficiency analysis according to Forest Service Handbook (FSH) 2409.18_13 and Forest Service Manual 2432.22c for any and all timber sales planned for the Central Tongass project. If the result of that analysis indicates the Forest Service will spend more to conduct the sales than it is expected to recoup in timber receipts, the sale should be abandoned.

Conclusion

For the concerns detailed above, Taxpayers for Common Sense strongly opposes moving forward with the Central Tongass Project under either action alternative under current consideration. Until the longstanding problems associated with money-losing timber sales in the Tongass are fully addressed and resolved, the Forest Service's already limited financial resources will be further constrained and federal taxpayers will be asked to continue to provide a multi-million-dollar subsidy to the timber industry.

¹¹ Central Tongass DEIS. Page 363.

¹² For example, FSH-2904.22 – Timber Sale Preparation.

¹³ "To facilitate log transfer to saltwater for commercial timber harvest within the Central Tongass project area, the Forest Service proposes to maintain or improve 15 existing log transfer facilities (LTFs) and construct up to three new LTFs." Page 21.