UNITED STATES OF AMERICA
DEPARTMENT OF AGRICULTURE
UNITED STATES FOREST SERVICE

Before the Chief
USDA Forest Service

In re Appeal of the Tongass National Forest Revised Land and Resource Management Plan (Plan Amendment), Final Environmental Impact Statement, and Record of Decision For this Revised Land and Resource Management Plan, Tongass National Forest, Alaska.	)	
THE WILDERNESS SOCIETY, Appellant.	)	Appeal No. _____

DECLARATION OF JOSEPH R. MEHRKENS

I, Joseph R. Mehrkens, declare as follows:

1. I am a retired resource economist residing at 15450 Glacier Highway, Juneau, Alaska 99801. I periodically consult on natural resource issues in Alaska.

2. I received a B.S. in Forestry from the University of Minnesota in 1970 and a Masters of Science in Forest Economics from Michigan State University in 1975.

3. Since 1979 I have worked as an economist for the Forest Service, The Wilderness Society, the Alaska Department of Commerce and Economic Development, and Environmental Economics – Alaska (my former consulting business).

4. From 1979 to 1987 I was the Regional Economist for the USDA-Forest Service, Alaska Region. My duties included economic assessments of the Tongass NF timber program – including the timber trade between Alaska and the Pacific Rim countries. I also prepared congressional reports on the annual supply and demand for Southeast Alaska timber.

5. From 1987 to 1991 I worked for The Wilderness Society as an economist and lobbyist to help gain passage of the Tongass Timber Reform Act of 1990. I testified before various congressional committees on the economic tradeoffs of the Tongass NF timber program – including taxpayer subsidies. I also analyzed the annual President's budget for the Tongass NF and made recommendations for change to the House and Senate Appropriations committees.

6. From 1991 to 2000 I was a part-time consultant on various projects including an expert witness on the Alaska Pulp of America consolidated income statements. During this time I also commercial fished and worked full time for the Alaska Department of Law (1995-1998).

7. From 2000 to 2004, I worked for the Alaska Department of Commerce, Community and Economic Development. I developed the framework for the Alaska Economic Information System – a web based system to access federal, state and local economic data. I also reinitiated the Alaska Annual Economic Performance Report.

8. From 2004 to present, I have been a part-time consultant. This work includes the determination of public subsidies for the Tongass NF timber program. The subsidy work was initially completed under two contracts to the Southeast Alaska Conservation Council (SEACC), but the final products were also shared with the Natural Resources Defense Council, The Wilderness Society, Earthjustice and other environmental organizations.

9. I retired in May of 2008.

10. Exhibit A is a series of Excel spreadsheets and charts I prepared under two contracts with SEACC in 2004 and 2007. More specifically, I was to provide an up-to-date analysis of the cost of the Tongass Timber Program in terms of timber sale planning, preparation, administration and road construction, specifically the cost of purchaser road credits and purchaser-elect roads.

11. Prior to my contractual work, SEACC published a report titled, "Taxpayer Losses and Missed Opportunities." The report documented the public subsidies from 1998 to 2002 in terms of total dollars lost and the cost per Tongass timber dependent job. The SEACC report evolved from a Freedom of Information Act (FOIA) request prepared by another former Alaska Regional Economist, Dr. Guy Robertson. Dr. Robertson provided Forest Service information on timber receipts and expenditures, including the costs of road building. The SEACC report simply subtracted timber and road expenditures from timber revenues to calculate the net dollar loss to taxpayers. The SEACC loss calculations excluded road maintenance costs, and the estimated loss per timber job for 2002 was based on partial information – only two quarters of employment data.

12. My first contract in 2004 was designed to revise the 2002 information concerning timber employment and update the subsidy information for FY2003 and FY2004. My update followed the same approach as economist Robertson and SEACC. In addition, I included the prior analyses of two General Accounting Office reports released in 1989 and 1997, and the work of forest economist Randle O'Toole, "$64 million Dollar Question: How the Taxpayers Paid the Pulp Mills to Clearcut the Tongass National Forest" (Table 17, page 28) (1993). This supplemental information gave me consistent expenditure and revenue data from 1982 to 2002.

13. Subsequent FOIA requests were made by SEACC to gain the same type of information as provided by Dr. Robertson for my analyses for FY 2003 and FY2004. Line item expenditures for the timber and road programs were taken from Forest Service budget and accounting documents. These expenditures were subtracted from timber receipts that are regularly published on the Forest Service web site. This yielded the public subsidy or net loss in total dollars. Tongass timber dependent employment numbers for 2002, 2003 and 2004 were taken from two draft Forest Service reports: the ANILCA Section 706(a) timber supply and demand report for fiscal years 2001 & 2002, and the same report for fiscal years 2001-2005. Based on my past experience, the employment numbers in these reports were reasonable and accurate.

14. Using the total dollar loss and the Forest Service job employment numbers, I estimated net loss per Tongass timber dependent job for fiscal years 2003 and 2004, by following the same methodology/conventions from 1998 to 2002. Simply, the net loss in total dollars is divided by the Tongass timber dependent job numbers reported by the Forest Service. The only exception is that I used road maintenance costs in my estimates. I also corrected the FY2002 net loss per job calculated by SEACC by using the more complete Forest Service employment information – an entire year versus just two quarters.

15. The subsidy analysis under my second contract with SEACC in 2007 was much the same. A SEACC FOIA provided the same type of information on timber and roads expenditures for FY2005, FY2006 and FY2007. Again timber receipts were taken from the Forest Service web site. Tongass timber dependent employment was taken from another Forest Service draft Section 706(a) report for 2006. The subsidy in total dollars lost and the net losses per job for FY2005 and 2006 were calculated as before.

16. The estimated subsidy for FY2007 and FY2008 had to go a couple of steps further. While the expenditures for 2007 were actual expenditures, the FY2008 program costs are the approved budget authorities for the timber and road programs, i.e., the maximum amount that can be expended. Simply stated, actual expenditures for FY2008 are not yet available. Also, the Tongass timber dependent job numbers for FY2007 and FY2008 are my independent estimates and are based on reduced logging in 2007 and the recent closure of the Ketchikan veneer mill in 2008. Nonetheless, my methodology is similar to the Forest Service methodology in the agency's 706(a) reports and similar to what I used as Regional Economist in the mid-1980s.

17. To make the dollar losses consistent over time, I had to fill in missing information about overhead costs in support of the timber and road programs. The overheads costs are expenditures for shared utilities, equipment, facilities, accounting, procurement, personnel, supervision, etc. The overhead costs (now known as cost pools) were once an explicit line item in the budgeting and accounting documents – that is until FY2004. From FY2004 to FY 2007 the cost pools were lumped together with all other programs, making a timber and roads estimate more difficult. However, the FOIA information for FY2004 did reveal the cost pool allocations for the roads program in the budget documents. Consequently, I used this explicit budget information to estimate the total road expenditures (including overheads) for 2004. However, I could not do the same for the timber program. For the timber program I had to use an independent estimate for the overhead costs. This estimate was based on the ratio of actual overhead costs to direct timber program costs during FY2002 and FY2003. This ratio ranged from 49% to 51% and I used the lower percentage to be conservative.

18. Again, for FY2006 and FY2007 there was no explicit information on overhead costs. However, the FOIA information for this period revealed the Regional Office and Tongass

NF assessments for the cost pools (overheads) as a percentage of direct program costs. The percentage applied to all resource programs – timber and non-timber alike. I assumed these percentages have been applied to timber and road programs and they are the basis for the overhead costs for my FY2006 and FY2007 analysis. I also used these percentages to revise the FY2005 timber overheads since it is based on real information and not an assumption about historic rates.

19. Exhibit A is based entirely on publically available information. This includes numerous Forest Service documents that are available as hard copy or online documents. All information sources are documented in the spreadsheet, which is part of an Excel Workbook file I created entitled, "Final Tongass Budget Analysis 91-07." The FOIA documents are available in hard copy from the Forest Service or SEACC. In my opinion, Exhibit A presents an accurate picture of Tongass costs, revenues, and jobs, and represents the best data available.

I declare under penalty of perjury that the foregoing is true and correct.

Dated: 5/14/08

By: Joseph R. Mehrkens

Joseph R. Mehrkens

Tongass Timber Program Losses 1982-2008

J.R. Mehrkens — 3/15/2008 last revised

User Notes: Make inputs to only the cells highlighted in yellow
Data Inputs in blue are estimates and in red are dummy variables.

	Loss	Expenditures	Revenues	SEACC Expenditures	SEACC Road Mtn	SEACC Losses	SEACC Subsidy/Job
1982	$ 60,521,237						
1983	$ 47,854,085						
1984	$ 46,526,812						
1985	$ 48,263,769						
1986	$ 51,113,761						
1987	$ 58,070,575						
1988	$ 41,225,329						
1989	$ 32,000,000						
1990	$ 28,800,000						
1991	$ 34,100,000						
1992	$ 41,693,445	$ 64,100,000					
1993	$ 31,434,675						
1994	$ 28,990,570						
1995	$ 24,225,892						
1996	$ 19,659,377					$ 19,659,377	$ 12,618.34
1997	$ 25,261,055					$ 25,261,055	$ 19,064.95
1998	$ 23,444,000	$ 28,436,000	$ 4,992,000	$ 26,435,000	$ 2,001,000	$ 21,443,000	$ 24,446.30
1999	$ 23,613,000	$ 29,069,000	$ 5,456,000	$ 28,141,000	$ 928,000	$ 22,685,000	$ 35,190.76
2000	$ 17,282,137	$ 22,865,000	$ 5,582,863	$ 21,359,000	$ 1,506,000	$ 15,776,137	$ 27,740.19
2001	$ 39,195,876	$ 41,051,000	$ 1,855,124	$ 37,395,000	$ 3,656,000	$ 35,540,000	$ 95,833.44
2002	$ 38,714,973	$ 39,957,000	$ 1,242,027	$ 36,122,000	$ 3,835,000	$ 34,880,000	$ 223,785.97
2003	$ 41,560,137	$ 43,024,000	$ 1,463,863				$ 208,844.91
2004	$ 47,860,202	$ 48,652,000	$ 791,798				$ 270,396.62
2005	$ 49,318,453	$ 49,896,400	$ 577,947				$ 268,035.07
2006	$ 48,030,234	$ 48,802,269	$ 772,036				$ 303,988.82
2007	$ 46,285,306	$ 46,505,708	$ 220,403				$ 674,878.15
2008	$ 44,289,000	$ 44,500,000	$ 211,000				$ 632,700.00
2009	$ -	$ -					#DIV/0!
2010	$ -	$ -					#DIV/0!

	Loss/MMBF	Harvest
1982	$ 163,262	370.7
1983	$ 191,111	250.4
1984	$ 178,332	260.9
1985	$ 201,603	239.4
1986	$ 180,998	282.4
1987	$ 173,035	335.6
1988	$ 104,026	396.3
1989	$ 71,975	444.6
1990	$ 61,108	471.3
1991	$ 93,759	363.7
1992	$ 112,776	369.7
1993	$ 96,633	325.3
1994	$ 105,114	275.8
1995	$ 109,570	221.1
1996	$ 163,556	120.2
1997	$ 236,970	106.6
1998	$ 195,693	119.8
1999	$ 162,066	145.7
2000	$ 117,646	146.9
2001	$ 819,997	47.8
2002	$ 1,145,413	33.8
2003	$ 810,139	51.3
2004	$ 1,030,659	46.4
2005	$ 994,281	49.6
2006	$ 1,112,810	43.2
2007	$ 2,470,522	18.7
2008	$ 2,214,450	20
2009	#DIV/0!	0
2010	#DIV/0!	0

	Loss/mbf	Tongass Jobs
1982	$ 163	1,850
1983	$ 191	1,857
1984	$ 178	1,608
1985	$ 202	1,502
1986	$ 181	1,795
1987	$ 173	2,098
1988	$ 104	2,370
1989	$ 72	2,569
1990	$ 61	2,522
1991	$ 94	2,387
1992	$ 113	2,236
1993	$ 97	2,060
1994	$ 105	1,669
1995	$ 110	1,519
1996	$ 164	1,558
1997	$ 237	1,325
1998	$ 196	959
1999	$ 162	671
2000	$ 118	623
2001	$ 820	409
2002	$ 1,145	173
2003	$ 810	199
2004	$ 1,031	177
2005	$ 994	184
2006	$ 1,113	158
2007	$ 2,471	69
2008	$ 2,214	70
2009	#DIV/0!	
2010	#DIV/0!	

	Loss/Job	Offer	Sold	Cut
1982	$ 32,700	535.7	270.0	370.7
1983	$ 25,800	518.8	231.2	250.4
1984	$ 28,900	537.4	273.5	260.9
1985	$ 32,100	479.2	191.6	239.4
1986	$ 28,500	440.5	303.9	282.4
1987	$ 27,700	470.0	514.3	335.6
1988	$ 17,400	399.0	335.2	396.3
1989	$ 12,500	368.4	295.1	444.6
1990	$ 11,400	385.5	312.4	471.3
1991	$ 14,300	396.1	405.5	363.7
1992	$ 18,600	489.3	437.2	369.7
1993	$ 15,300	318.1	348.2	325.3
1994	$ 17,400	306.3	268.5	275.8
1995	$ 15,900	326.0	251.2	221.1
1996	$ 12,600	266.1	227.7	120.2
1997	$ 19,100	187.9	202.4	106.6
1998	$ 24,400	187.1	24.1	119.8
1999	$ 35,200	115.3	61.4	145.7
2000	$ 27,700	85.3	170.3	146.9
2001	$ 95,800	67.9	47.8	47.8
2002	$ 223,800	56.9	24.4	33.8
2003	$ 208,800	88.8	36.5	51.3
2004	$ 270,400	73.0	87.1	46.4
2005	$ 268,000	110.4	65.1	49.6
2006	$ 304,000	85.0	85.0	43.2
2007	$ 674,900	32.6	30.4	18.7
2008	$ 632,700	30.0	30.0	20.0
2009		0.0	0.0	0.0
2010		0.0	0.0	0.0

Sources: For FY82-FY88, H Rep 101-84, Part 1 Table 2. Net Outlays of Tongass Timber Program, p. 13, June 1989.
For FY89-FY91, O'Toole, $64 million Question: How Taxpayers Paid Pulp Mills to Clearcut the Tongass National Forest, Table 17, at 28 (March 1993)
For FY92-FY94 GAO '92-'94, Table 4.1: Timber Sales, Receipts and Outlays by Forest Fiscal 1995 through 1997, at 68.
For FY95-FY97 GAO/RCED-99-24, App. 3, Timber Sales Receipts and Outlays by Forest Fiscal 1995 through 1997 at 41.
For FY98-FY07 Timber and Road Expenditures minus Timber Value in Cut and Sold Reports.
For FY08, Budget Justification.
For FY91-FY07 expenditures various USDA, Forest Service, Alaska Region, budgt and accomplishment reports, on file with SEACC, Juneau, Alaska.

Notes: The SEACC Subsidy Report excludes road maintenance costs, which are included here.
The reported losses are underestimated since they do not include the 21 Sec 339 timber sales which were reappraised to lower stumpage rates on the remaining uncut timber under contract.
The FY2000 road maintenance costs are estiamted at: $ 1,232,000 . This estimate does not include indirects (overhead costs).
The FY02 SEACC job subsidy is overestimated because the FS employment of 195 jobs is based only on the first 2 quarters. Using a higher a higher employment estimate of 282, the calculated SEACC job subsidy is: $ 123,688 .

Average Losses	From 1982-2005	$ 37,530,390	From 1985-2005 or 20 yr	$ 35,515,582
Cumulative losses	From 1982-2005	$ 900,729,359	From 1985-2005 or 20 yr	$ 745,827,225

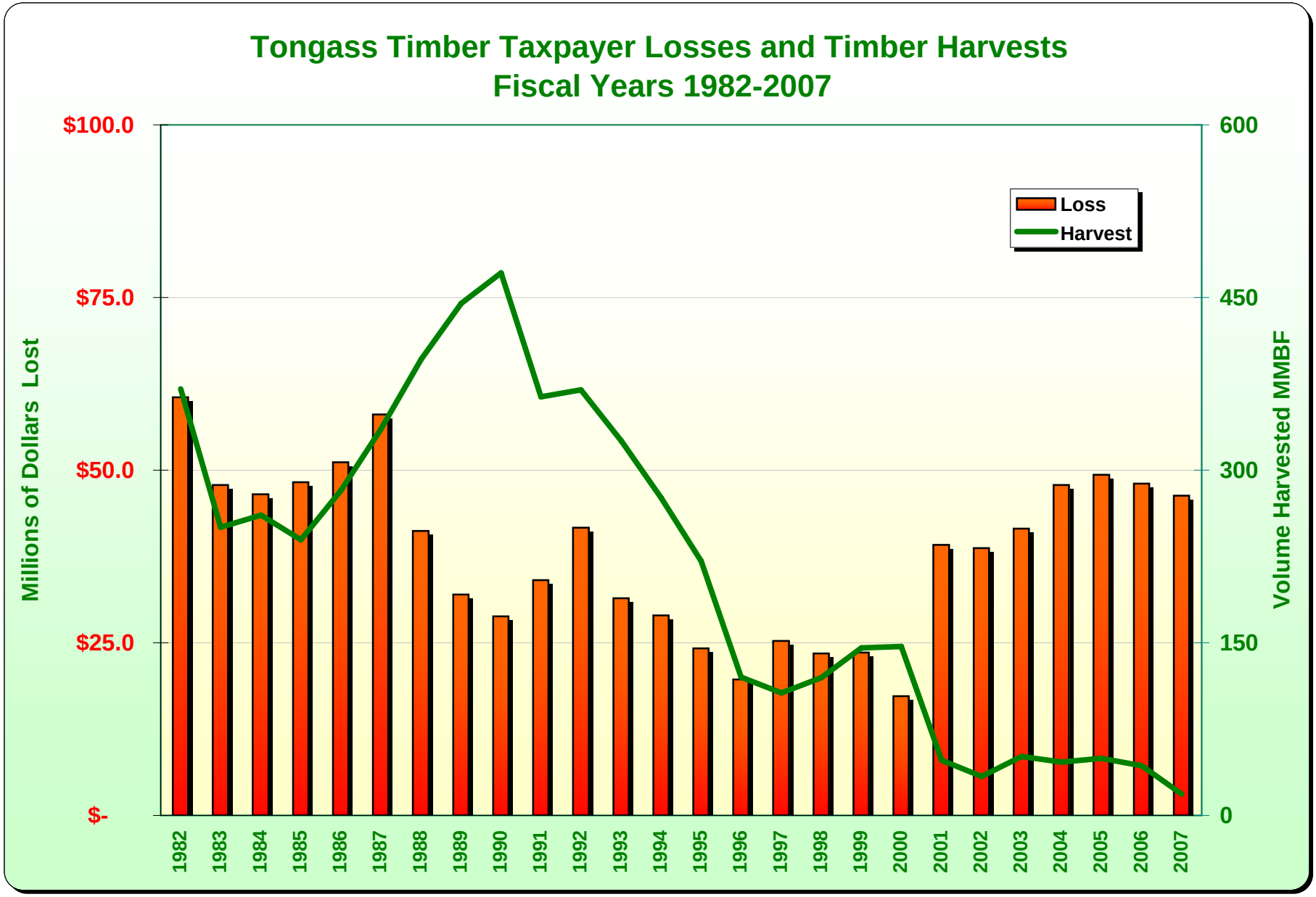
Graphics

	Loss	Harvest	Loss/mbf	Harvest
1982	$ 60.52	370.7	$ 163.26	370.7
1983	$ 47.85	250.4	$ 191.11	250.4
1984	$ 46.53	260.9	$ 178.33	260.9
1985	$ 48.26	239.4	$ 201.60	239.4
1986	$ 51.11	282.4	$ 181.00	282.4
1987	$ 58.07	335.6	$ 173.04	335.6
1988	$ 41.23	396.3	$ 104.03	396.3
1989	$ 32.00	444.6	$ 71.97	444.6
1990	$ 28.80	471.3	$ 61.11	471.3
1991	$ 34.10	363.7	$ 93.76	363.7
1992	$ 41.69	369.7	$ 112.78	369.7
1993	$ 31.43	325.3	$ 96.63	325.3
1994	$ 28.99	275.8	$ 105.11	275.8
1995	$ 24.23	221.1	$ 109.57	221.1
1996	$ 19.66	120.2	$ 163.56	120.2
1997	$ 25.26	106.6	$ 236.97	106.6
1998	$ 23.44	119.8	$ 195.69	119.8
1999	$ 23.61	145.7	$ 162.07	145.7
2000	$ 17.28	146.9	$ 117.65	146.9
2001	$ 39.20	47.8	$ 820.00	47.8
2002	$ 38.71	33.8	$ 1,145.41	33.8
2003	$ 41.56	51.3	$ 810.14	51.3
2004	$ 47.86	46.4	1030.7	46.4
2005	$ 49.32	49.6	$ 994.28	49.6
2006	$ 48.03	43.2	$ 1,112.81	43.2
2007	$ 46.29	18.7	$ 2,470.52	18.7
2008	$ 44.29	20.0	$ 2,214.45	20.0

	Loss	Jobs
1982	$ 60.52	1,850
1983	$ 47.85	1,857
1984	$ 46.53	1,608
1985	$ 48.26	1,502
1986	$ 51.11	1,795
1987	$ 58.07	2,098
1988	$ 41.23	2,370
1989	$ 32.00	2,569
1990	$ 28.80	2,522
1991	$ 34.10	2,387
1992	$ 41.69	2,236
1993	$ 31.43	2,060
1994	$ 28.99	1,669
1995	$ 24.23	1,519
1996	$ 19.66	1,558
1997	$ 25.26	1,325
1998	$ 23.44	959
1999	$ 23.61	671
2000	$ 17.28	623
2001	$ 39.20	409
2002	$ 38.71	173
2003	$ 41.56	199
2004	$ 47.86	177
2005	$ 49.32	184
2006	$ 48.03	158
2007	$ 46.29	69
2008	$ 44.29	70

Roads

	Road Expenditures	Timber Demand
1991	$ 15.4	363.7
1992	$ 14.8	369.7
1993	$ 13.2	325.3
1994	$ 11.0	275.8
1995	$ 10.9	221.1
1996	$ 8.6	120.2
1997	$ 7.9	106.6
1998	$ 8.2	119.8
1999	$ 7.8	145.7
2000	$ 6.5	146.9
2001	$ 15.6	47.8
2002	$ 13.3	33.8
2003	$ 21.6	51.3
2004	$ 21.3	46.4
2005	$ 21.0	49.6
2006	$ 22.8	43.2
2007	$ 20.9	18.7
2008	$ 19.0	20.0


Tongass Timber Taxpayer Losses and Timber Harvests
Fiscal Years 1982-2007
Millions of Dollars Lost
Volume Harvested MMBF
$100.0
$75.0
$50.0
$25.0
$-
600
450
300
150
0
Loss
Harvest
1982
1983
1984
1985
1986
1987
1988
1989
1990
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1992
1993
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1999
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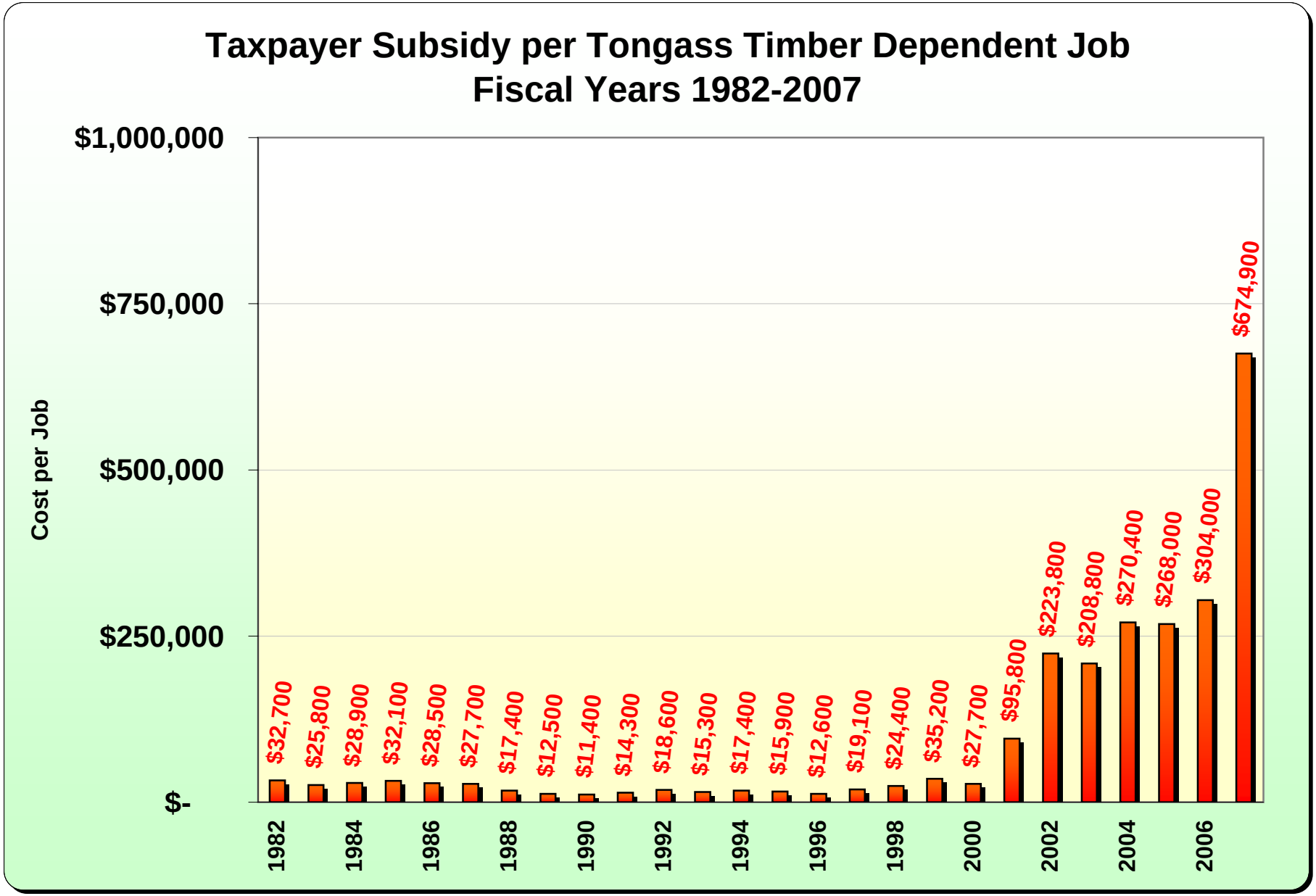
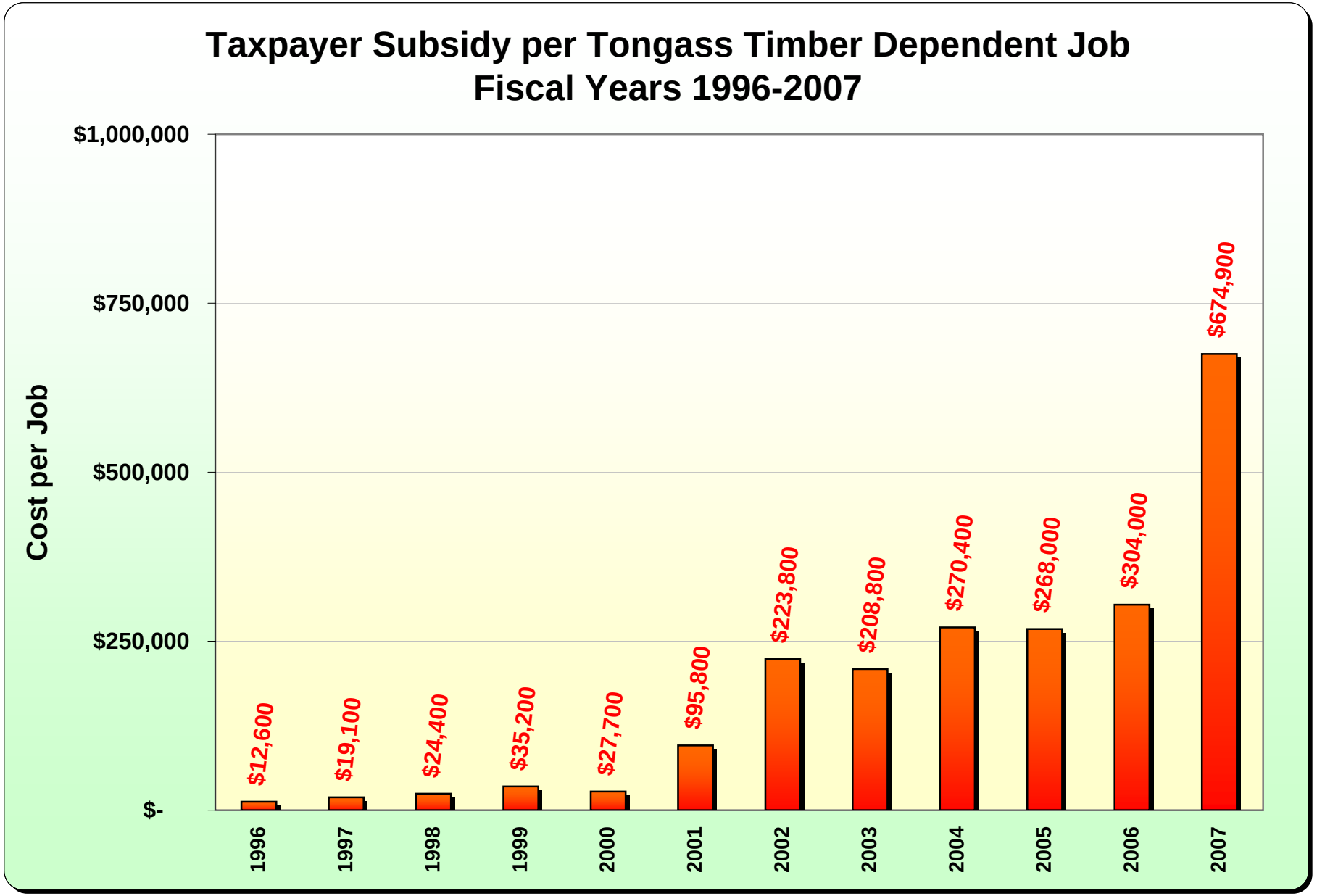
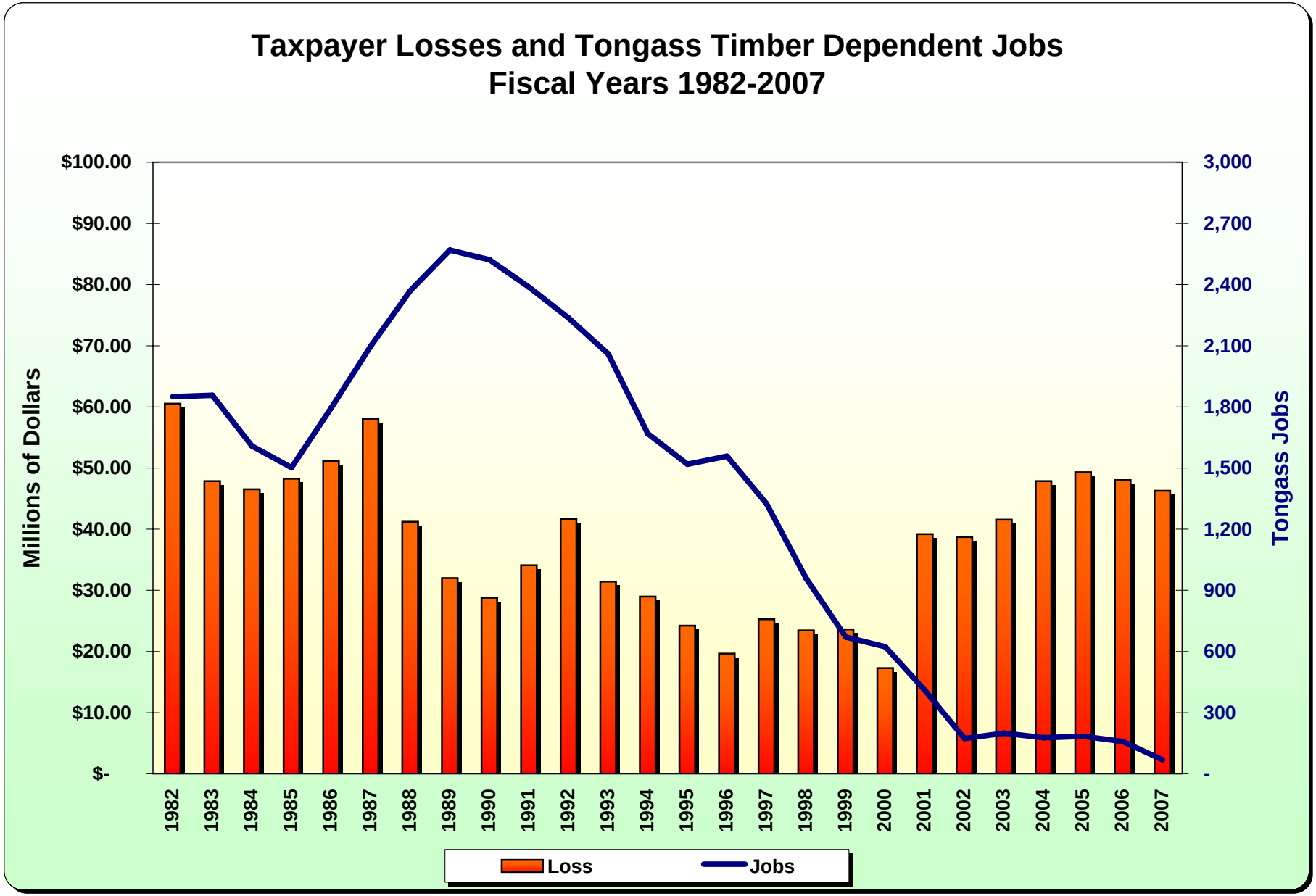
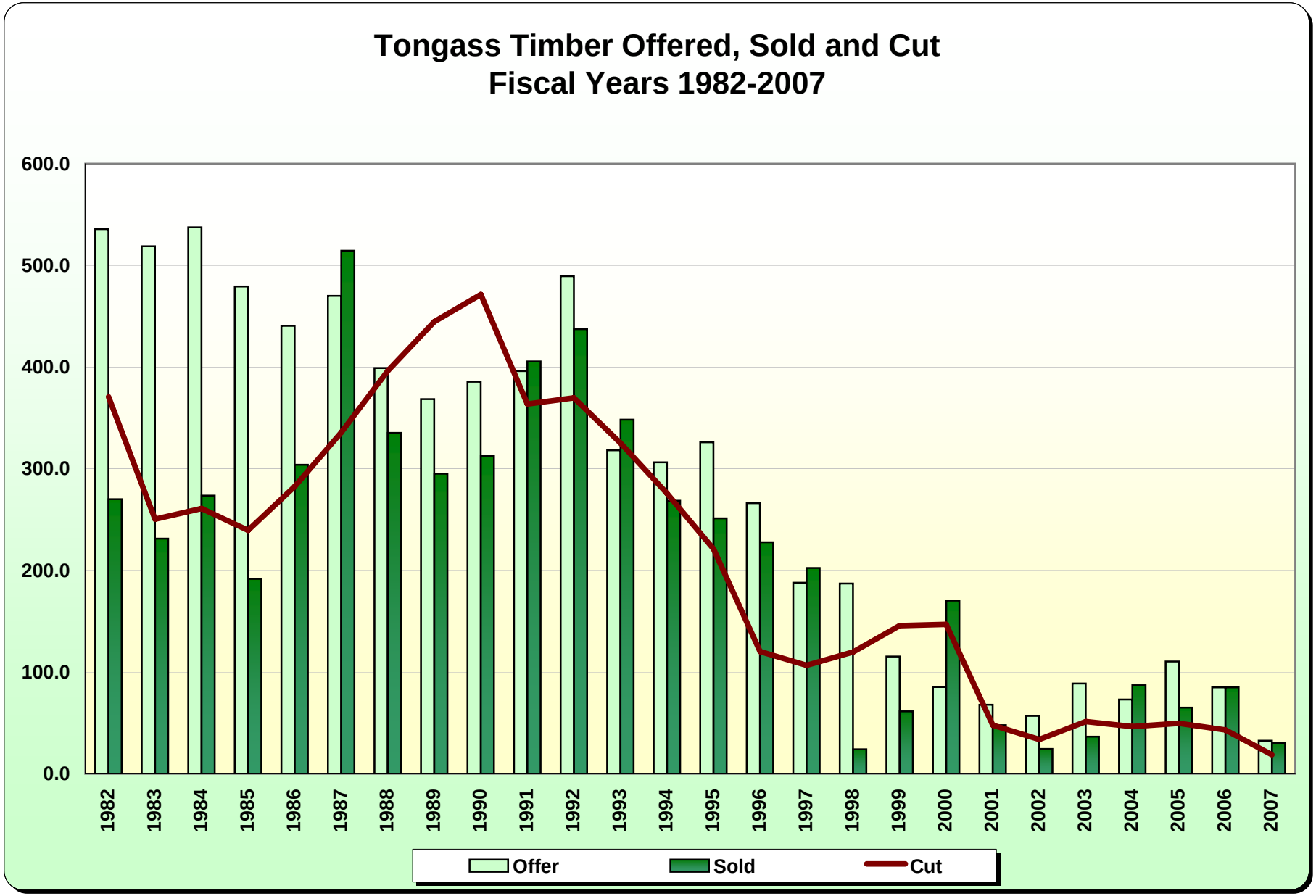
2001
2002
2003
2004
2005
2006
2007


Taxpayer Subsidy per Tongass Timber Dependent Job
Fiscal Years 1982-2007
Cost per Job
$1,000,000
$750,000
$500,000
$250,000
$-
$32,700
$25,800
$28,900
$32,100
$28,500
$27,700
$17,400
$12,500
$11,400
$14,300
$18,600
$15,300
$17,400
$15,900
$12,600
$19,100
$24,400
$35,200
$27,700
$95,800
$223,800
$208,800
$270,400
$268,000
$304,000
$674,900
1982
1984
1986
1988
1990
1992
1994
1996
1998
2000
2002
2004
2006


Taxpayer Subsidy per Tongass Timber Dependent Job
Fiscal Years 1996-2007
Cost per Job
$1,000,000
$750,000
$500,000
$250,000
$-
$12,600
$19,100
$24,400
$35,200
$27,700
$95,800
$223,800
$208,800
$270,400
$268,000
$304,000
$674,900
1996
1997
1998
1999
2000
2001
2002
2003
2004
2005
2006
2007


Taxpayer Losses and Tongass Timber Dependent Jobs
Fiscal Years 1982-2007
Millions of Dollars
$100.00
$90.00
$80.00
$70.00
$60.00
$50.00
$40.00
$30.00
$20.00
$10.00
$-
Tongass Jobs
3,000
2,700
2,400
2,100
1,800
1,500
1,200
900
600
300
-
1982
1983
1984
1985
1986
1987
1988
1989
1990
1991
1992
1993
1994
1995
1996
1997
1998
1999
2000
2001
2002
2003
2004
2005
2006
2007
Loss
Jobs


Tongass Timber Offered, Sold and Cut
Fiscal Years 1982-2007
600.0
500.0
400.0
300.0
200.0
100.0
0.0
1982
1983
1984
1985
1986
1987
1988
1989
1990
1991
1992
1993
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1997
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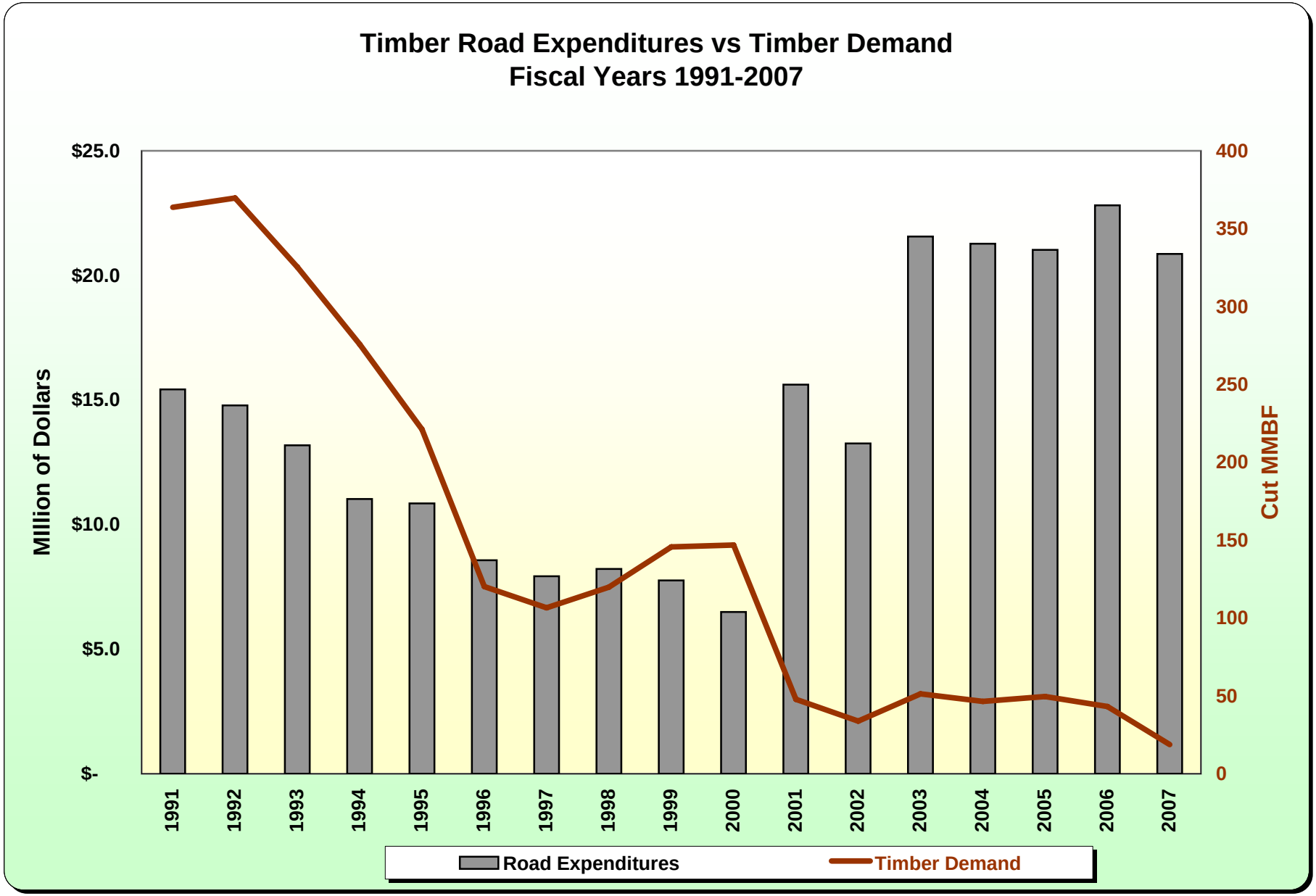
1999
2000
2001
2002
2003
2004
2005
2006
2007
Offer
Sold
Cut


Timber Road Expenditures vs Timber Demand
Fiscal Years 1991-2007
Million of Dollars
$25.0
$20.0
$15.0
$10.0
$5.0
$-
Cut MMBF
400
350
300
250
200
150
100
50
0
1991
1992
1993
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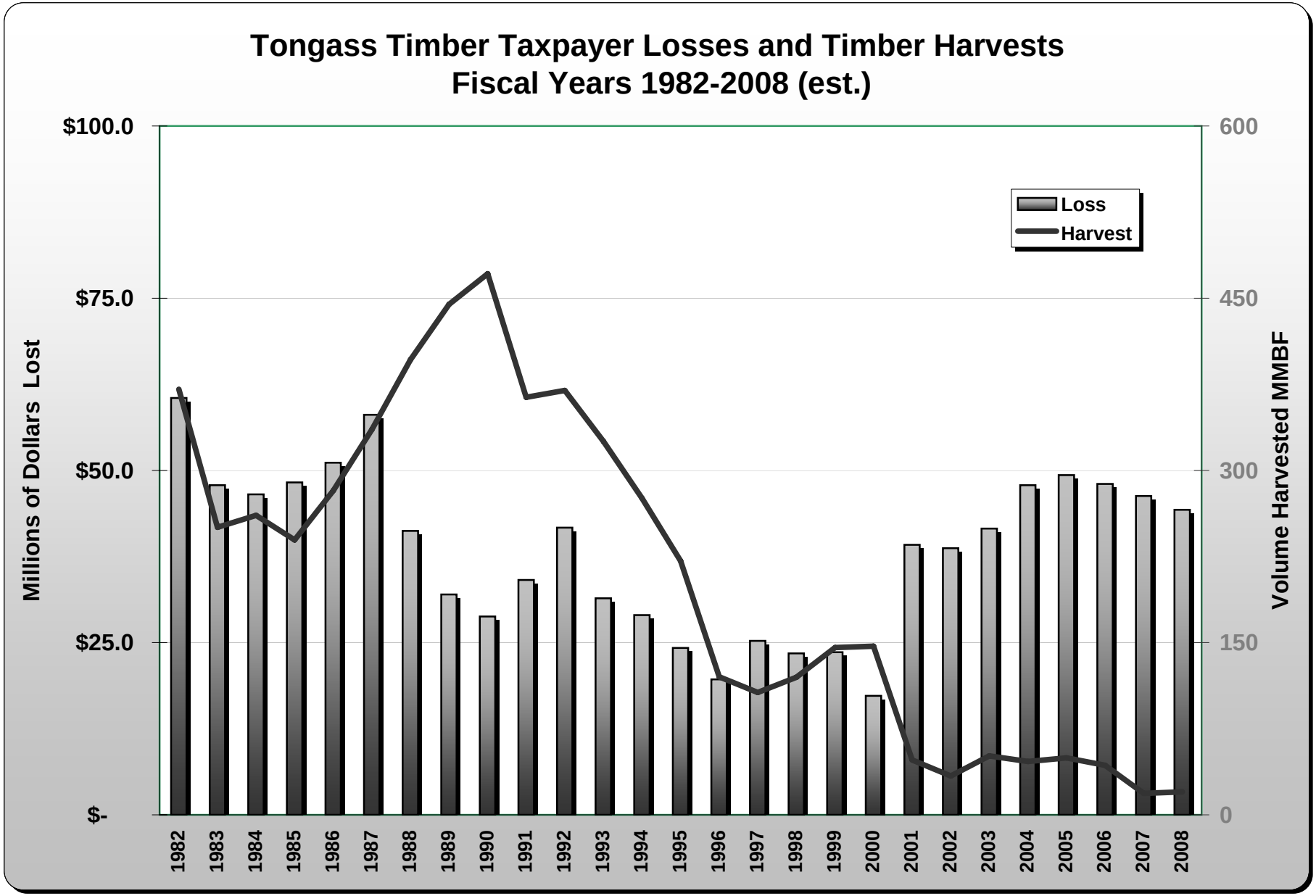
2000
2001
2002
2003
2004
2005
2006
2007
Road Expenditures
Timber Demand


Tongass Timber Taxpayer Losses and Timber Harvests
Fiscal Years 1982-2008 (est.)
$100.0
$75.0
$50.0
$25.0
$-
600
450
300
150
0
Millions of Dollars Lost
Volume Harvested MMBF
Loss
Harvest
1982
1983
1984
1985
1986
1987
1988
1989
1990
1991
1992
1993
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2005
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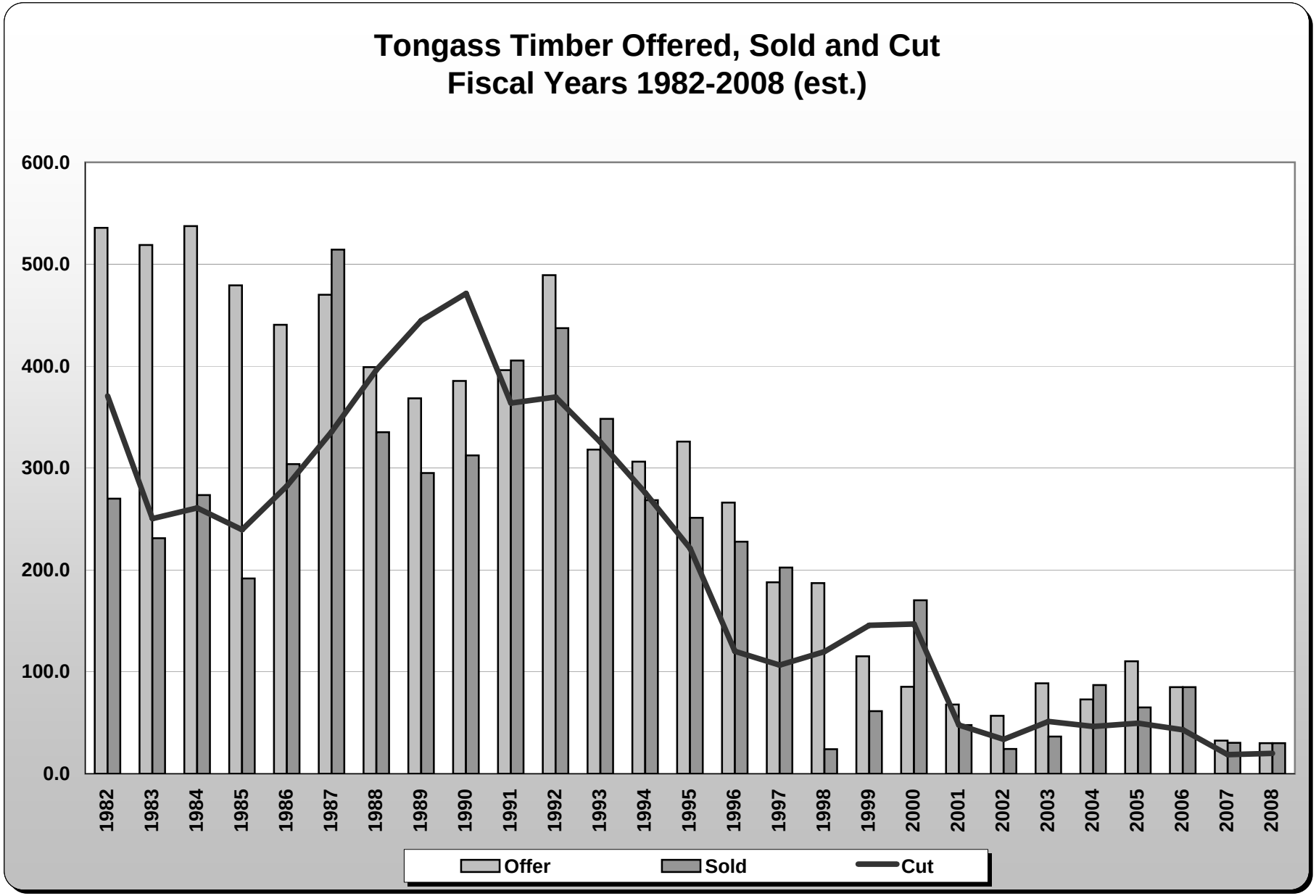
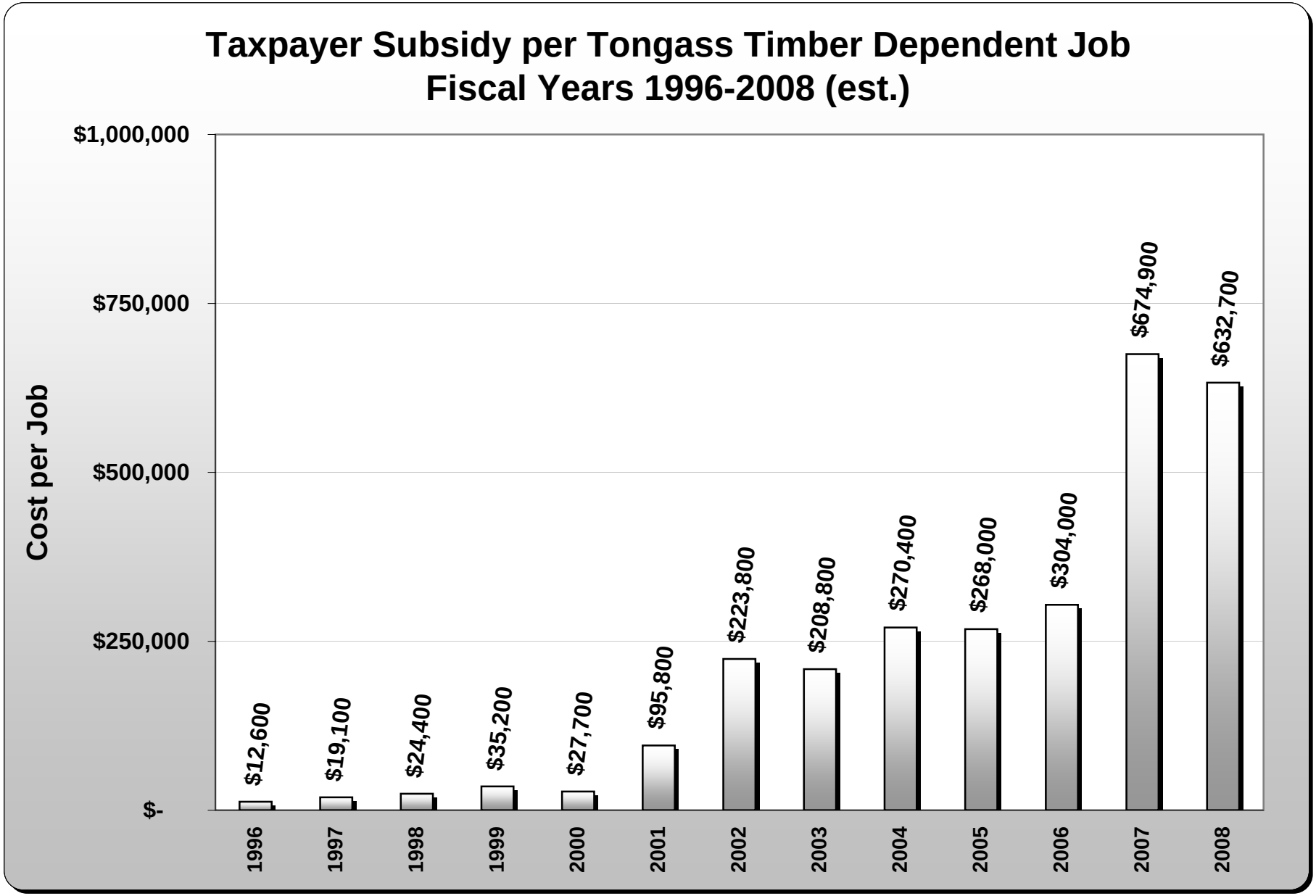
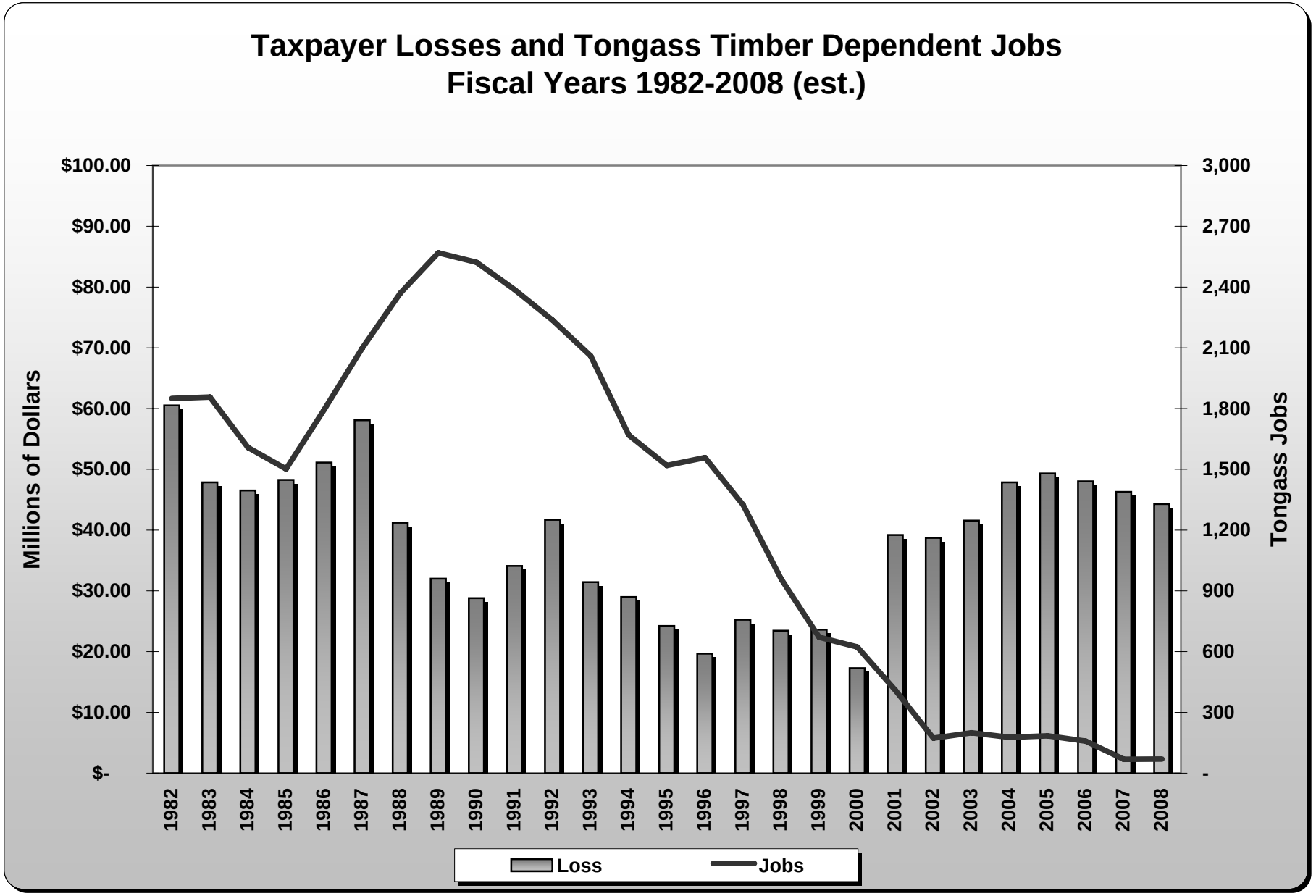
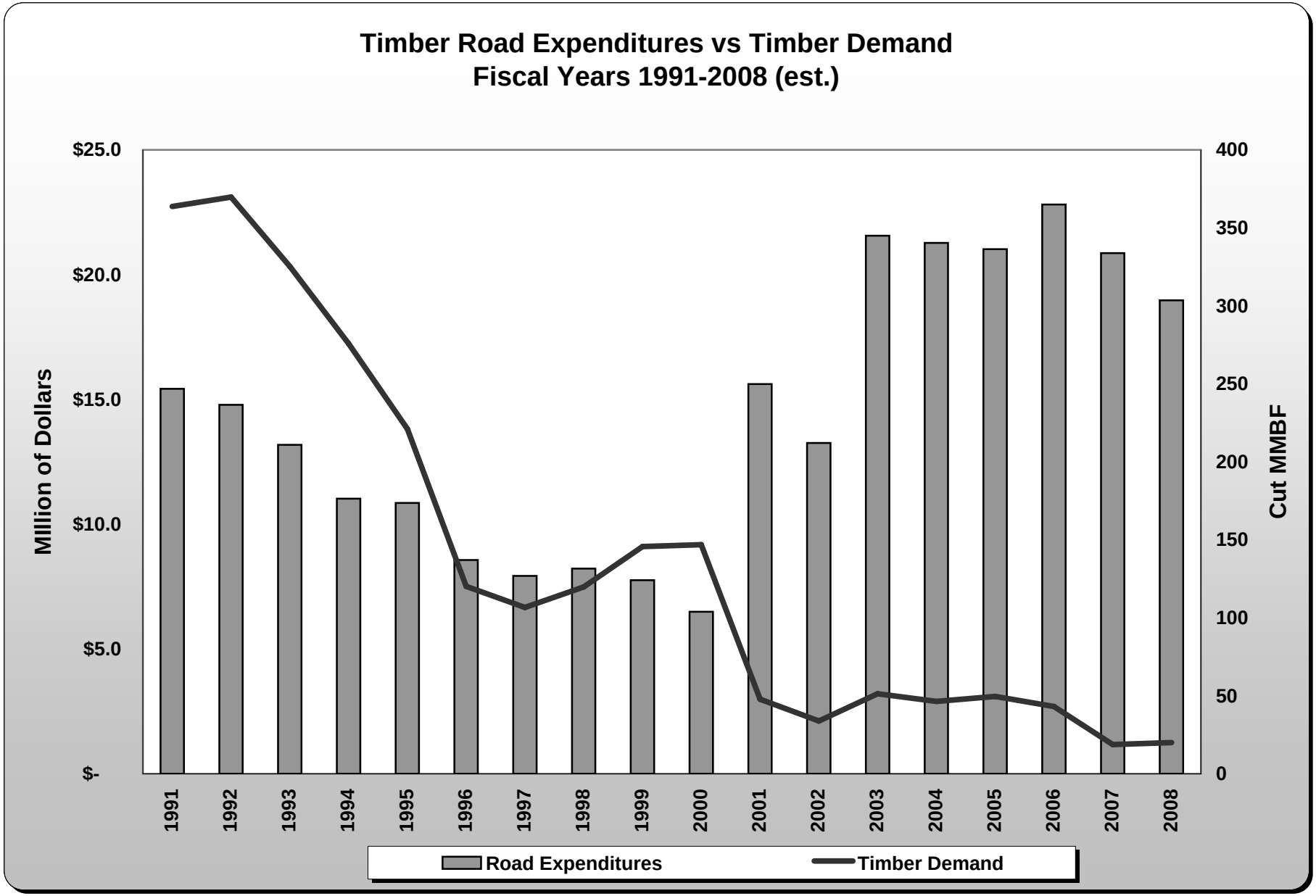
2007
2008


Tongass Timber Offered, Sold and Cut
Fiscal Years 1982-2008 (est.)
600.0
500.0
400.0
300.0
200.0
100.0
0.0
1982
1983
1984
1985
1986
1987
1988
1989
1990
1991
1992
1993
1994
1995
1996
1997
1998
1999
2000
2001
2002
2003
2004
2005
2006
2007
2008
Offer
Sold
Cut


Taxpayer Subsidy per Tongass Timber Dependent Job
Fiscal Years 1996-2008 (est.)
Cost per Job
$1,000,000
$750,000
$500,000
$250,000
$-
$12,600
$19,100
$24,400
$35,200
$27,700
$95,800
$223,800
$208,800
$270,400
$268,000
$304,000
$674,900
$632,700
1996
1997
1998
1999
2000
2001
2002
2003
2004
2005
2006
2007
2008


Taxpayer Losses and Tongass Timber Dependent Jobs
Fiscal Years 1982-2008 (est.)
Millions of Dollars
$100.00
$90.00
$80.00
$70.00
$60.00
$50.00
$40.00
$30.00
$20.00
$10.00
$-
Tongass Jobs
3,000
2,700
2,400
2,100
1,800
1,500
1,200
900
600
300
-
1982
1983
1984
1985
1986
1987
1988
1989
1990
1991
1992
1993
1994
1995
1996
1997
1998
1999
2000
2001
2002
2003
2004
2005
2006
2007
2008
Loss
Jobs


Timber Road Expenditures vs Timber Demand
Fiscal Years 1991-2008 (est.)
Million of Dollars
$25.0
$20.0
$15.0
$10.0
$5.0
$-
Cut MMBF
400
350
300
250
200
150
100
50
0
1991
1992
1993
1994
1995
1996
1997
1998
1999
2000
2001
2002
2003
2004
2005
2006
2007
2008
Road Expenditures
Timber Demand