

Report to the Chairman, Committee on Resources, House of Representatives

**May 1996** 

# PUBLIC TIMBER

Federal and State Programs Differ Significantly in Pacific Northwest







United States General Accounting Office Washington, D.C. 20548

Resources, Community, and Economic Development Division

B-271665

May 23, 1996

The Honorable Don Young Chairman, Committee on Resources House of Representatives

Dear Mr. Chairman:

The Bureau of Land Management (BLM), within the Department of the Interior, and the Forest Service, within the U.S. Department of Agriculture, manage 12.5 million acres of timberland in the states of Washington and Oregon. This acreage accounts for 37.7 percent of the available timberland in those states. In recent years, the volumes of timber sold and harvested from these federal timberlands have decreased because of the increased efforts to protect habitat for threatened and endangered species and to achieve a better balance of multiple resource uses.

However, the costs of federal timber sale programs have not decreased proportionately, and recent studies and testimony before congressional committees have suggested that some states operate their timber sale programs at less cost than the federal agencies. As part of an ongoing effort to reduce federal spending, you asked us to compare the timber sale programs of the two federal agencies with those of the states. Specifically, this report identifies (1) the major differences among the timber programs of the Forest Service's Pacific Northwest Region, the Bureau of Land Management, and the states of Washington and Oregon and (2) the effect of these differences on the agencies' planning processes.

### Results in Brief

Although the federal and state timberlands in Washington and Oregon are often adjacent and appear to have some similar characteristics, such as species of trees and growing conditions, significant differences in the legislative and regulatory guidance, types of timberlands, and sources of funding affect the management of these lands:

• Legislative and regulatory guidance. The primary legislative goal of the two states is to maximize revenues over the long term to benefit the schools and counties within the states. In contrast, federal legislation and regulations generally require the federal agencies to manage timberlands for multiple resource uses.

<sup>&</sup>lt;sup>1</sup>Timberland is land that is producing or capable of producing crops of industrial wood (i.e., more than 20 cubic feet per acre per year), is not withdrawn from timber utilization by law or regulation, and represents the land potentially available for harvesting timber resources.

- Types of timberlands. State timberlands usually contain second-growth forests (areas that have been harvested and reforested) and have existing roads. Federal timberlands usually contain second-growth forests interspersed with old-growth forests, wilderness, and roadless areas. Federal protection of old-growth forests and wildlife habitat has brought about reductions in federal timber sales, leading to conflicts among various segments of the public that favor certain uses over others.
- Sources of funding. The two states' timber sale programs rely for their funding on a designated percentage of their gross sales receipts, thus providing them with an incentive to control program costs and to increase revenues. The federal agencies, on the other hand, rely on annual appropriations, and no connection exists between timber sale receipts and the funding available for sale programs.

The underlying differences in the legislative and regulatory guidance, types of timberlands, and sources of funding are reflected in the federal and state agencies' processes for long- and short-term planning. The states obtain public consensus on the goals and objectives to be attained on state lands on the basis of their legislative guidance and then manage these lands according to those goals. The federal agencies have a much longer and more complex planning process that involves the public at every stage of the process for timber sales. Because the states' timberlands are primarily second-growth forests and are less controversial than federal old-growth forests, the state agencies are able to prepare timber sales in a much shorter time than the federal agencies. In addition, the state agencies do not provide for administrative appeals, whereas the federal agencies do.

## Background

The Forest Service and BLM manage timber programs on federal lands in the Pacific Northwest states of Washington and Oregon. These federal timberlands are often adjacent to state timberlands and share certain characteristics, such as prevailing climate, terrain, and species of trees. The Forest Service's Pacific Northwest Region includes 19 national forests in Washington and Oregon; BLM's timberlands are primarily in western Oregon. State timberlands are administered by the Washington Department of Natural Resources and the Oregon Department of Forestry. Table 1 shows the acres of timberland managed by the federal and state agencies, in addition to those owned by the private sector.

Table 1: Timberland Ownership in Washington and Oregon

Acres in thousands						
Ownership	Washington	Oregon	Total acres	Percent of total acres		
Forest Service/BLM	3,694	8,822	12,516	37.7		
State/county	2,255	875	3,130	9.4		
Private	8,952	8,609	17,562	52.9		
Total timberlands	14,901	18,306	33,208	100.0		

Source: Forest Resources of the United States, 1992, BLM's Oregon State Office, and the Forest Service's Pacific Northwest Region.

Although the federal agencies manage four times as much timberland acreage as the two states, for the past several years the states have sold about the same amount of timber as the federal agencies. Because of lawsuits and the resulting injunctions on federal timber sales and of increased efforts to balance multiple resource uses, the Forest Service and BLM had fewer timber sales than in the late 1980s.

Beginning in the early 1990s, lawsuits and subsequent court injunctions to protect the habitat of the northern spotted owl and to preserve the remaining old-growth forests halted most timber sales on federal lands in the Pacific Northwest. To break this impasse, the President convened an interagency team tasked with developing land management alternatives for the federal lands within the current range of the northern spotted owl. According to the guiding principles of the interagency team, the alternatives developed should both attain the greatest economic and social contributions from the forests and meet the requirements of the applicable laws and regulations. While the resulting "Pacific Northwest Forest Plan" was accepted by the federal courts and the injunctions were lifted in 1994, additional challenges to the plan have since emerged.

The volumes of timber sold in fiscal years 1993 through 1995 for the four agencies are shown in table 2.

Table 2: Volumes of Timber Sold in Washington and Oregon

Board feet in millions					
Fiscal year	Washington Department of Natural Resources	Oregon Department of Forestry	ВLМ	Forest Service	
1993	535.0	33.9	50.7	786.9	
1994	357.0	117.7	14.4	433.8	
1995	607.0	118.3	124.2	401.0	
Total	1,499.0	269.9	189.3	1,621.7	

Source: Washington Department of Natural Resources, Oregon Department of Forestry, BLM's Oregon State Office, and the Forest Service's Pacific Northwest Region.

## Major Differences Between Federal and State Timber Programs

Federal and state timber programs differ in their legislative and regulatory guidance, in the types of timberlands managed, and in their sources of funding. Both the Forest Service and BLM generally manage their lands under laws that emphasize multiple resource uses, such as timber, fish and wildlife, and recreation. Washington's and Oregon's legislation emphasizes timber production in order to maximize revenues over the long term to benefit the schools and counties within the states. State lands generally have second-growth forests, whereas federal timberlands contain a mixture of second-growth and old-growth forests with portions set aside for wilderness and roadless areas. Unlike in the states' timber programs, no clear linkage exists between the receipts of federal timber sales and the sources of funding for those sales, thus removing an important incentive to increase receipts and decrease costs.

Federal and State Timber Programs Operate Under Different Legislative and Regulatory Guidance Although Washington and Oregon manage their timberlands to provide multiple resources, the states' legislation emphasizes timber production to maximize revenues over the long-term for the schools and counties. The beneficiaries of the timber revenues are determined by the way in which the state acquired the land. "Common school lands"—those federal lands granted to the states when they achieved statehood—were intended as a source of revenue to support the states' schools and colleges. "Forest board lands"—those generally private lands harvested in the early 1900s and later transferred to the states when the private landowners could not pay the property taxes—were intended to generate revenues for the counties within which they are located. Because the schools and counties receive up to 75 percent of all gross timber receipts from state lands, they

have pressured the states to increase timber harvests and thereby increase their revenues.

The Multiple-Use, Sustained Yield Act of 1960 (16 U.S.C. 528-531) requires that the national forests be managed on a multiple-use, sustained-yield basis. The Forest Service's regulations require that these lands be managed to produce the greatest "net public benefit." Subsequent legislation required the Forest Service to develop detailed management plans for the national forests; regulate timber harvests to ensure the protection of other resources; and allow the public to participate in the development, review, and revision of the forest plans.<sup>2</sup>

Although the laws, regulations, and guidelines provide a framework for the federal timber sale and management processes, many Forest Service officials believe that this framework provides little guidance on how to balance the forests' competing uses or to ensure their sustainability. Moreover, Forest Service officials believe that the agency's decision-making process has become increasingly difficult because of the need to consider other statutory requirements, such as the Endangered Species Act.<sup>3</sup>

BLM manages its lands under the Federal Land Policy and Management Act of 1976 (43 U.S.C. 1701 et seq.), which establishes that BLM should manage its lands on a multiple use basis. However, the exception to the statutory requirements that both the Forest Service and BLM manage federal timberlands on a multiple use basis affects 2.6 million acres of Oregon and California Railroad (O&C) lands in western Oregon that BLM and the Forest Service manage. The relevant legislation—the Oregon and California Sustained Yield Act of 1937 (43 U.S.C. 1181a et seq.)—provides a more narrow focus to emphasize timber production with a sustained yield for such purposes as providing a permanent source of timber supply and contributing to the economic stability of local communities and industries.

Even when the legislation clearly directs the agencies to manage these lands with an emphasis on timber, other statutory requirements—such as the Endangered Species Act —may still affect timber production. For example, although the United States Court of Appeals for the Ninth Circuit

 $<sup>^2</sup>$ The Forest and Rangeland Renewable Resources Planning Act of 1974 (16 U.S.C. 1600-1614), as amended by the National Forest Management Act of 1976 (16 U.S.C. 1601 et seq.).

<sup>&</sup>lt;sup>3</sup>Forest Service: Issues Relating to Its Decision Making Process (GAO/T-RCED-96-66, Jan. 25, 1996).

<sup>&</sup>lt;sup>4</sup>This acreage represents almost all of BLM's timberlands in western Oregon.

confirmed the O&C act's dominant use as timber in 1990,<sup>5</sup> the timber harvests on those lands have continued to fall since that decision. During the period from 1983 through 1990, the annual timber harvests from BLM's O&C lands averaged more than 1.1 billion board feet per year. With the listing of the northern spotted owl and two injunctions ordered by the U.S. District Court in Oregon, the timber harvests had fallen to less than 100 million board feet in fiscal year 1995, or less than 10 percent of the harvests in the earlier period. In addition, it does not appear that the former harvest level will be achieved again since, under the Pacific Northwest Forest Plan, all of BLM's and the Forest Service's lands were treated as one unit and areas were set aside for specific land uses—such as timber production, ecosystem preservation, and aquatic conservation—thereby reducing the lands available for timber production.<sup>6</sup>

Another difference in legislative and regulatory guidance between the federal and state agencies is timber sale goals or targets. The federal agencies often have national timber sale targets that clearly express congressional expectations as to how much timber the federal agencies are expected to offer for sale in any year or period of years. Furthermore, according to both Forest Service and BLM officials, federal policy has been to offer timber on an even-flow basis to help provide a stable supply of timber. On the other hand, the states do not have annual timber sale targets. According to state officials, the absence of such annual targets allows them to offer timber sales so as to take advantage of changes in timber prices. They increase timber sales when prices rise and reduce the number of sales when prices fall so as to maximize long-term revenues.

### Characteristics of Federal and State Timberlands Are Basically Different

Despite the appearance of similarities—such as geographic location, species of trees, and growing conditions—several basic differences between federal and state timberlands affect the timber programs on these lands. For example, state lands, for the most part, do not contain old-growth forests because they have already been harvested. Rather, they generally have second-growth forests with existing road systems, and relatively few areas have been withdrawn from timber use. On the other hand, federal lands include both old-growth and second-growth forests, roadless and wilderness areas, and other areas set aside for other uses,

<sup>&</sup>lt;sup>5</sup>Headwaters, Inc. v. Bureau of Land Management Medford District, 914 F.2d 1174, 1183 (1990).

<sup>&</sup>lt;sup>6</sup>In Seattle Audubon Society v. Lyons (W.D. Wash. 1994), 871 F. Supp. 1291, 1313, a federal district court held that the Secretary of the Interior has the management discretion to include the O&C lands within the Pacific Northwest Forest Plan, even though the O&C act makes timber production the dominant use on O&C lands. Consequently, the Secretary included the O&C lands in the plan.

such as recreation. Because most of the remaining old-growth forests in the Pacific Northwest are on federal lands and because these lands provide habitat for threatened and endangered species, the federal agencies must take additional steps to protect these remaining old-growth forest areas.

#### Funding of Federal and State Timber Programs Differs

The timber programs on Washington's and Oregon's timberlands are funded by a legislatively specified percentage of gross timber sale receipts—generally from 25 to 36 percent. Although the states are restricted to a preset percentage of total receipts, they have the same major cost categories as the federal agencies, including long-term and timber sale planning, sales preparation, contract and harvest administration, reforestation, and subsequent timber stand management activities, such as fertilization and thinning. Neither Washington nor Oregon receives any additional funding or supplemental appropriations to cover the expenses of managing the states' timberlands. According to state officials, this funding approach encourages them to actively market timber to increase revenues and to reduce timber-related expenditures to control costs.

Unlike the states, the federal agencies are not required to cover the costs of their timber sale programs with the associated receipts. To cover their timber program costs, federal agencies rely primarily on annual appropriations. Because no clear linkage exists between the receipts from timber sales and the funding associated with the programs, there is little incentive to control costs or increase revenues. In addition, the performance measures for the federal agencies are based on the volumes of timber offered for sale, not the actual amounts sold.

## Differences Between Federal and State Timber Programs Are Reflected in Planning Process

The underlying differences in the legislative and regulatory guidance, types of timberlands, and sources of funding are reflected in the agencies' planning processes. While the states have developed shorter planning processes that satisfy their legal requirements and get the job done quickly, the federal planning processes are more lengthy and expensive. In order to comply with other federal statutory requirements—such as the National Environmental Policy Act or the Endangered Species Act—the federal agencies spend considerably more time and resources on both

<sup>&</sup>lt;sup>7</sup>Appropriations to cover the costs of the timber sale programs are based on such criteria as the anticipated volumes of timber to be offered for sale or the number of acres to be reforested.

long- and short-term planning. Still, their decisions are challenged more frequently than those made by the states.

#### State Planning Processes Are Shorter Than Federal Ones

The states' long- and short-term planning processes take less time than the federal processes. Washington's and Oregon's long-term planning processes, though emphasizing the maximum amount of revenues, include the public's participation to agree on the overall goals for the forests. The states' long-term plans provide information on how the states will manage the multiple resources on their forest lands, yet they still emphasize timber production to maximize revenues. For example, Oregon obtains the public's input to help develop the guiding principles, goals, and objectives of the state's forests. Once these underlying principles are incorporated into the long-term plan, the agency manages the lands accordingly.

Washington also seeks the public's input to its long-term planning process, especially when the state recognizes a controversial situation on its lands. For example, when developing the goals for the use of the Loomis State Forest, Washington requested the public's input on how to balance the goals of timber production with the protection of wildlife habitat. More importantly, the long-term plans for both states remain in effect until major changes occur, such as natural disasters that destroy large areas of the forests.

In contrast, the federal agencies, as required by the legislation and regulations, develop various land management alternatives in their long-term planning to address issues of public concern, such as the protection of wildlife habitat. According to federal officials, developing a set of alternatives rather than one management plan is time consuming, as the federal agencies seek to satisfy numerous conflicting interests. Unlike the states' long-term plans, which remain in effect until a major change occurs, the Forest Service's land management plans must be revised at least every 15 years, while BLM's plan establishes regular review periods. In addition, while the public's input to the states' plans ends with the completion of the long-term plans, the public's input into federal decisions continues after the long-term plans are completed and into the planning for individual timber sales. This continuous involvement by the public lengthens the planning process, as the federal agencies attempt to respond to the public's comments on their decisions.

Both the federal and state agencies use their long-term land management plans as a framework for short-term planning, such as timber sales. The states' individual timber sales are based on the annual timber plans derived from the states' long-term planning documents. Normally, in selecting the sites for potential timber sales, the states try to avoid selecting the areas that include wildlife habitat. However, when the states want to offer timber sales in such areas, they identify the prospective timber sales 2 years in advance to allow time for the necessary wildlife surveys. The states do not begin to prepare timber sales until these wildlife surveys are completed. Thereafter, the states generally can prepare timber sales in 3 to 4 months, which enables them to be more responsive to their customers and to schedule their sales to respond to changes in the prices of timber.

The federal agencies' individual timber sales are based on a timber sale schedule—covering 5 years for BLM and 10 years for the Forest Service—developed from the agencies' long-term land management plans. Preparing a BLM timber sale, which includes planning, site preparation, and appraisal, can take 2 to 3 years; the Forest Service's process can take 3 to 8 years. Although BLM's process is shorter than the Forest Service's, it still is longer than the states' processes. Unlike the states, the federal agencies routinely include required wildlife surveys as part of their timber sale process. According to federal officials, because the agencies are to manage for multiple resource uses, it is difficult to get a consensus on how to best manage forest lands and individual sales to achieve a net public benefit. In addition, obtaining the public's comments on timber sales and complying with numerous laws and regulations contribute to the longer federal process.

Federal and state timber management staffs are responsible for the same range of activities within the timber sale process, yet the state agencies complete the tasks with fewer people than the Forest Service. Although the federal agencies manage more timberlands in the Pacific Northwest, in fiscal year 1995, the Forest Service's Pacific Northwest Region sold less timber than the Washington Department of Natural Resources; the Oregon Department of Forestry and BLM sold similar amounts of timber. Yet at the end of fiscal year 1995, the Forest Service's Pacific Northwest Region had 2,330 timber management staff, BLM had 222, Washington had 322, and Oregon had 219.

The States' Timber Sales Have Fewer Legal Challenges Than Federal Sales Regardless of the level of the public's participation in the long- and short-term planning processes, both federal and state timber sales can be subject to legal challenges. In addition to lawsuits, many of the Forest Service's timber sales are contested through its administrative appeals process; the process is provided for in the law. According to one Forest Service official, appeals and litigation can add from 4 months to 4 years to the timber sale process.

In an attempt to limit appeals and in order to comply with the environmental laws, the Forest Service develops time-consuming and expensive environmental impact statements for most timber sales. These environmental impact statements provide detailed information on the proposed timber sale activities and their cumulative impacts on the surrounding area and other resources. BLM, however, prepares these detailed analyses only for selected timber sales that could have a high impact on the environment and prepares simpler and less time-consuming environmental assessments for most timber sales. BLM prepares environmental impact statements for the overall management plans and prepares supplemental environmental assessments for timber sales to add the impacts not covered by the environmental impact statements.

Because neither Washington nor Oregon has an administrative appeals process, challenges to their land management decisions or timber sales must be brought in the courts. However, Washington and Oregon have two of the strongest state forest practices acts<sup>8</sup> in the nation. According to state forestry officials, compliance with these strong forest practices acts and the ability to select the least controversial timber stands for sale are factors contributing to the few challenges to their timber sales.

The extra time and effort that the federal agencies take to try to ensure that their timber sales are acceptable to the public has not limited legal challenges to their decisions. Even though the federal agencies undertake time-consuming measures to preclude legal challenges to their decisions on timber sales, federal timber sales are still contested more frequently than the states' timber sales. The number of pending legal challenges to public timber sales—both lawsuits and administrative appeals—at the end of 1995 is shown in table 3.

<sup>&</sup>lt;sup>8</sup>These state forest practices acts regulate timber operations on state and private timberlands and promote the production of high-quality timber products while protecting other natural resources, such as water quality and wildlife habitat.

Table 3: Pending Legal Challenges to Pacific Northwest Timber Sales as of December 31, 1995

	Washington Department of Natural Resources	Oregon Department of Forestry	BLM	Forest Service
Number of legal				_
challenges	1	2	20	20

Source: Washington Department of Natural Resources, Oregon Board of Forestry, BLM's Oregon State Office, Forest Service's Pacific Northwest Region.

Salvage Timber Sales in the Area of Wenatchee, Washington, Exemplify Differences in Federal and State Timber Sale Programs

Although the basic differences between federal and state lands and programs make meaningful comparisons difficult, one recent example points out the effects of the different approaches. In the summer of 1994, wildfires destroyed approximately 185,000 acres of adjacent federal and state timberland in the area of Wenatchee, Washington. Because burned timber rapidly declines in value, it was imperative that the Washington Department of Natural Resources and the Forest Service salvage the timber as quickly as possible. Delays in selling the salvage timber would reduce potential revenues for either governmental unit. However, while quick action by the state resulted in the timely harvest of burned timber, federal delays in the sale of similar timber resulted in lower sale prices.

The Washington Department of Natural Resources acted quickly to get the maximum amount of revenues from its salvage timber sales. Before the fires were contained, the agency had begun preparing the salvage timber sales. Within 3 months, the Department had prepared several sales and, as a result, was ready to sell the timber as the spring logging season began. In April 1995, the Department of Natural Resources offered and sold its first three salvage sales, followed by two more sales in the next 2 months. In total, the state sold 4.8 million board feet of salvage timber at an average price of \$203 per thousand board feet. Because the state's timber sales were offered at the beginning of the logging season, the purchasers were able to harvest and remove all of the salvage timber from four of the five sales by the end of October.

In contrast, because of its more lengthy process for planning timber sales, the Forest Service did not have its timber ready for sale until late summer 1995, 1 year after the fire. Its first offering of more than 1 million board feet was not sold until August, 4 months after the state began selling its salvage timber. By that time, the burned timber had further deteriorated. Because of the condition of the timber and the timber sale contract terms,

the Forest Service received from \$8 to \$94 per thousand board feet for the 78.3 million board feet of salvage timber it sold. In addition, the Forest Service offered six timber sales for which there were no bidders because of the condition of the timber and the contract terms. Five of the six were reoffered with different terms and sold.

#### Conclusions

The federal and state timber sale programs differ significantly in the Pacific Northwest. While the states' legislative guidance emphasizes timber production and maximizing revenues over the long-term, BLM and the Forest Service must balance multiple resource uses. Also, the states fund their timber sale programs with a percentage of timber sale receipts, which provides built-in incentives to promote cost efficiency. While the states' planning processes are fairly straightforward, the federal agencies' processes are more lengthy and expensive. These differences provide some indicators of why the states can operate their timber sale programs at less cost than the federal agencies in the Pacific Northwest. Modifying these differences, however, would require changes in how the federal programs are currently structured—a complex and intricate task, involving stakeholders with varying views on how to best balance the goals of multiple resource uses.

## **Agency Comments**

We provided copies of a draft of this report to the Forest Service and the Bureau of Land Management for their review and comment. We met with the Forest Service's Deputy Director, Timber Management, in Washington, D.C., and designated Timber Management staff in the Pacific Northwest Region, and with the Bureau of Land Management's designated Timber Management staff in Washington, D.C., and the Associate State Director of the Bureau's Oregon State Office to discuss their comments. We incorporated their suggested changes as appropriate. Overall, these officials agreed with the information presented and indicated that the material was an accurate presentation of the issues discussed.

To ensure the accuracy of the information about the states' programs, we provided the relevant portions of a draft of this report to forest management staff in Oregon and Washington. We met with these officials, including Oregon's Principal Forester and the Natural Resource Program Specialist in Washington's Department of Natural Resources, to discuss their comments. Overall, these officials agreed with the information presented and indicated that the material was an accurate presentation of the issues discussed.

## Scope and Methodology

To determine the differences among the federal and state timber programs as well as to determine the effects of these differences on the agencies' processes, we interviewed officials of the Timber Management staff at the Forest Service's Pacific Northwest Region and Washington, D.C., offices; Timber Management staff at the Bureau of Land Management's Oregon State Office; and forest management staff at the Oregon Department of Forestry and the Washington Department of Natural Resources. We also reviewed documentation provided by them, including the appropriate legislation and regulations, written procedures, and standard timber sale contracts.

Although you were primarily interested in the state of Washington's timber sale program, as later agreed with your office, we expanded the scope to include the state of Oregon. This addition enabled us to review two states' timber sale programs yet keep within one Forest Service region. In addition, by expanding the scope to include Oregon, we included BLM's timber sale program in western Oregon, which accounts for almost all of BLM's timber sales. Because we reviewed timber programs in only two states and one Forest Service region, the results of this work cannot be projected to the Forest Service or BLM as a whole.

Our review was performed from June 1995 through April 1996 in accordance with generally accepted government auditing standards.

As arranged with your office, unless you publicly announce its contents earlier, we plan no further distribution of this report until 30 days after the date of this letter. At that time, we will send copies to the Secretaries of Agriculture and the Interior and to officials at the Washington Department of Natural Resources and the Oregon Department of Forestry. We will make copies available to other interested parties on request.

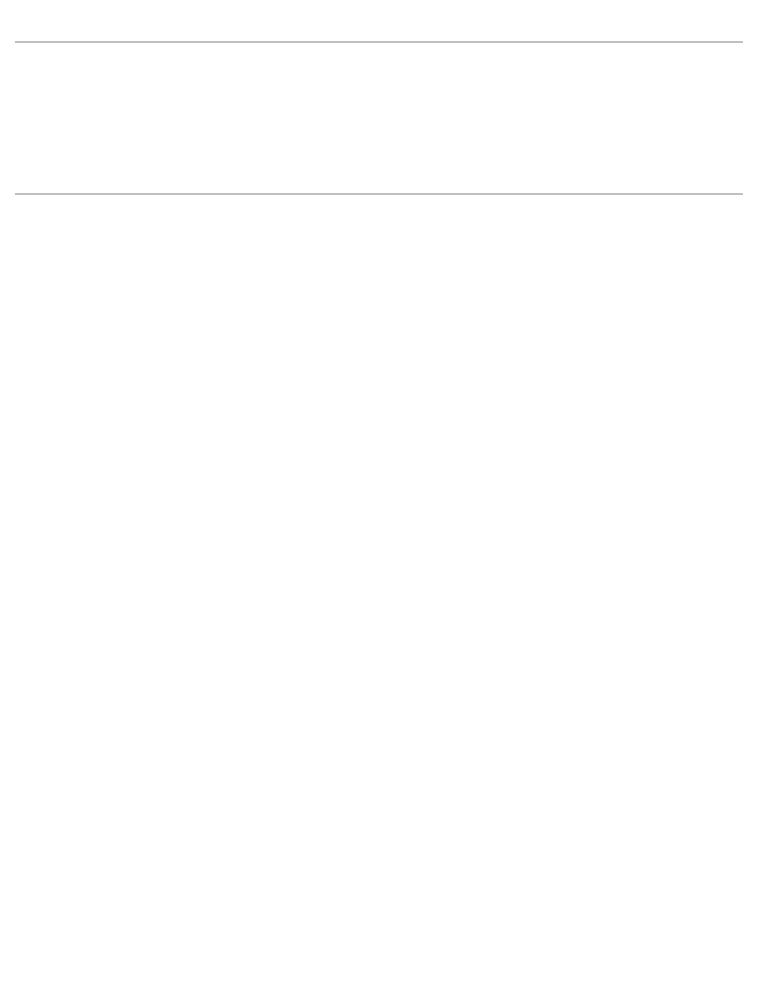
This work was performed under the direction of James K. Meissner, Associate Director for Timber, who may be reached on (206) 287-4810 if you or your staff have any questions about this report. Major contributors to this report are listed in appendix I.

Sincerely yours,

Victor S. Rezendes

 ${\it Director, Energy, Resources,}$ 

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# Major Contributors to This Report

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