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COMPTROLLER GENERAL OF THE UNITED STATES
WASHINGTON, D.C. 20548

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JUL 25 1975

B-125053

The Honorable William S. Moorhead, Chairman
Subcommittee on Conservation, Energy, and
Natural Resources
Committee on Government Operations
House of Representatives

B-125053

Dear Mr. Chairman:

The enclosure to this letter responds to the former Chairman's October 23, 1974, letter in which he raised several questions, made certain observations, and requested additional information on our October 8, 1974, report (B-125053). This report, which discussed the need to direct the Department of Agriculture's cooperative forestry programs toward increasing softwood sawtimber supplies on private, nonindustrial forest land, has not been released for general distribution because of the former Chairman's request.

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Our previous report contains recommendations to the Secretary of Agriculture. Section 236 of the Legislative Reorganization Act of 1970 requires the head of a Federal agency to submit a written statement on actions he has taken on our recommendations to the House and Senate Committees on Government Operations not later than 60 days from the date of the release of the report and to the House and Senate Committees on Appropriations with the agency's first request for appropriations made more than 60 days after the date of the release of the report. We will be in touch with your office to arrange for the release of the report to set in motion the requirements of section 236.

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Sincerely yours,
James P. Beards

Comptroller General
of the United States

Enclosure

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The Honorable Henry S. Reuss, former Chairman of the Subcommittee on Conservation and Natural Resources, House Committee on Government Operations, requested clarification of several matters in our report entitled "Need to Direct Cooperative Forestry Programs toward Increasing Softwood Sawtimber Supplies" (B-125053, Oct. 8, 1974) before the report could be released for further distribution. The former Chairman's questions, observations, and requests for additional information and our responses are presented below.

INTENT OF THE COOPERATIVE
FOREST MANAGEMENT ACT

Has the Forest Service interpreted the term "private landowners" used in the Cooperative Forest Management (CFM) Act of August 25, 1950, as amended (16 U.S.C. 568c and d), -to cover only private, nonindustrial forest landowners?

No. The Forest Service's description of the three major program categories under the amended act, those who qualify for assistance under each, and the types of assistance that can be provided follow.

Forest management--Private forest landowners; landowner associations; forest operators; and nonprofit organizations, such as the YMCA, the YWCA, the Boy Scouts of America, and 4-H Clubs, qualify to receive a wide variety of technical services including, but not limited to, preparing multiple-use management plans; prescribing silvicultural practices; marking trees to be sold; and advising on protecting, managing, and using the landowners' forest and related resources.

Forest product utilization--Harvesters, processors, and merchandisers of forest products are eligible to receive advice, assistance, and training in (1) improving felling, bucking, skidding, and transportation methods, (2) using log and lumber rules, and (3) improving roundwood processing practices, including drying. The Forest Service assists in marketing forest products and emphasizes achieving better utilization of harvested trees to reduce waste and increase timber supplies.

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Urban and community forestry--Although this program has not been funded, the Forest Service has developed prospective guidelines, with input from State forestry and extension officials, which propose that State forestry organizations may provide technical assistance and training to local governments and their subsidiaries, planning agencies, soil conservation districts, private organizations and corporations, consultants, and developers of residential and commercial areas. These activities would involve establishing, maintaining, protecting, and using trees and associated woody plants to improve environmental quality in community and urban areas. The Forest Service does not contemplate providing such assistance to individual landowners.

How does GAO's definition of the term "private, nonindustrial forest landowner" differ from the definition of landowners eligible for assistance under the Forestry Incentives Program?

We used the term "private, nonindustrial forest landowner" to refer to all commercial forest landowners other than owners of public lands and companies or individuals operating wood processing or marketing enterprises. A 1973 Forest Service report entitled "The Outlook for Timber in the United States" showed the following breakdown of commercial forest lands by type of owner.

| | <u>Acres</u> (millions) |
|--|----------------------------|
| National forest | 91.9 |
| Other public | 44.2 |
| Forest industry | 67.3 |
| Other private (private, nonindustrial) | <u>296.3</u> |
| Total | <u><u>499.7</u></u> |

The Forestry Incentives Program's definition of private, nonindustrial forest landowners is more restrictive than our definition because (1) private entities which regularly manufacture forest products or provide public utilities services, or the subsidiaries of such entities, are excluded

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and (2) cost sharing will not be provided on private nonindustrial tracts greater than 500 acres. The Secretary of Agriculture may grant exceptions to the acreage limitations if he determines that enough public benefit would result. In addition, the program is restricted to lands capable of producing crops of industrial wood (a minimum of 50 cubic feet an acre annually). According to the Forest Service, these additional limitations reduce the acreage of private, nonindustrial forest land eligible under the Forestry Incentives Program to about 199 million acres.

Does Public Law 92-288, May 5, 1972, 86 Stat. 134, amending 16 U.S.C. 568c, authorize providing technical services only to private, nonindustrial landowners?

The statute does not define private landowners or otherwise differentiate between various types of private landowners. The legislative history of the statute merely provides that private, nonindustrial landowners were in the most immediate need of technical services. (See S. Rept. No. 92-592, 92d Cong., 2d Sess., Jan. 24, 1972, restating H. Rept. No. 92-472, 92d Cong., 1st Sess., Sept. 9, 1971.)

More importantly, Public Law 92-288 specifically vests the Secretary of Agriculture with discretion to determine whether the Federal Government should cooperate with the States and to determine the conditions upon which the cooperation is to be extended. Although not entirely free from doubt, this discretion appears broad enough for the Secretary to have refused to enter into a cooperative agreement with a State where the State provides technical services to private, industrial landowners. Depending on the extent that States require Federal assistance to carry on their technical services programs, the Secretary's refusal would have effectively forced States to deny such services to private, industrial landowners as a prerequisite to obtaining Federal funds.

Currently, however, the Secretary does not distinguish between private, industrial and nonindustrial landowners; both are eligible for technical services. We see no legal infirmity in the Secretary's decision.

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If GAO agrees that the law authorizes and encourages providing technical services to all private landowners, forest operators, wood processors, and public agencies, what is the basis for recommending that the Forest Service establish goals that appear to limit CFM program assistance solely to private, nonindustrial forest landowners?

The law authorizes providing technical services to private landowners, forest operators, wood processors, and public agencies. As stated previously, the Forest Service has divided the services into three categories--forest management, product utilization, and urban and community forestry. Our review and recommendations were directed toward forest management assistance, which represented about 95 percent of the fiscal year 1973 CFM program. The remaining 5 percent represented product utilization assistance.

Although forest management assistance may be provided on all privately owned forest lands or potential forest lands and forest ranges, the States receive few requests for assistance from industrial forest landowners because most have their own forestry staffs. As a result, the private, nonindustrial landowners are the primary recipients of forest management assistance. We believe this is consistent with the legislative history of the amended CFM Act, which shows particular congressional concern over the need for better management of the Nation's private, nonindustrial forest lands to insure an adequate future timber supply.

Our recommendation to "establish specific annual goals for increasing the supply of softwood sawtimber on private, nonindustrial forest land and for other multiple-use management purposes" was not intended to limit CFM forest management assistance solely to private, nonindustrial forest landowners. As the report stated, we believe that, because of the predicted shortages of softwood sawtimber and the opportunity that exists for increasing softwood production on private, nonindustrial forest land, the Forest Service, in administering the CFM program, should emphasize increasing softwood sawtimber supplies on these lands.

We recognize that any effort to emphasize increasing softwood sawtimber supplies on private, nonindustrial forest land may affect the amount of assistance available

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for accomplishing other forest management objectives and for assisting other potential recipients. For this reason the Forest Service must determine what portion of the total CFM efforts should be directed toward each of the specific program purposes and potential recipients within the forest management category.

CFM BUDGET PROPOSALS

Who made the decision not to request appropriations for CFM funds up to or near the level established by Public Law 92-288 and what was the basis for that decision?

CFM program funds are included as part of the Forest Service's appropriation for its State and private programs. In the past several years CFM program funds have been much less than the \$20 million authorized by Public Law 92-288. The Forest Service told us that it considered funding requirements for the CFM program when budget estimates were being developed for all programs but that it was necessary to hold Federal expenditures and manpower levels to a minimum to fight inflation and to stay within the framework of the Administration's overall economic program. The Forest Service said that using resources more effectively to accomplish all program goals did not allow for large funding increases in the CFM program.

The following table shows the Forest Service requests for CFM funds and the amounts approved by the Department of Agriculture and the Office of Management and Budget for fiscal year 1973 (the year before Public Law 92-288 went into effect) and for fiscal years 1974 and 1975.

| <u>Fiscal year</u> | <u>Forest Service request</u> | <u>Level approved by the Department of Agriculture</u> | <u>Level approved by the Office of Management and Budget</u> |
|--------------------|-------------------------------|--|--|
| (000 omitted) | | | |
| 1973 | \$ 5,000 | \$5,000 | \$5,000 |
| 1974 | 10,000 | 5,000 | 5,000 |
| 1975 | 10,070 | 5,580 | 5,574 |

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INCREASED CFM AUTHORIZATION

What actions have been taken or are planned by the Forest Service to carry out the congressional intent expressed in the legislative history of Public Law 92-288 for increasing assistance to forest landowners and establishing an urban and community forestry program?

Forest landowner assistance

The Forest Service said it is trying to strengthen assistance to the forest landowners without increasing CFM program funding levels. It said, for example, that the Forestry Incentives Program provided only limited technical assistance funds and that part of the CFM effort was being directed at providing necessary technical assistance to participating landowners.

Urban and community forestry program

So far the Forest Service has developed prospective national guidelines for an urban and community forestry program and has published a bibliography on the subject. It is developing a program handbook which summarizes the skills and knowledge that a forester must acquire to properly perform urban and community forestry jobs. The Forest Service told us the program is on a standby basis because of the current funding and manpower levels. The Forest Service is planning to initiate the program in fiscal year 1977.

CFM ADMINISTRATIVE COSTS

Why have Forest Service administrative costs for the CFM program increased since fiscal year 1971?

The following table shows the distribution of CFM funds between Forest Service administrative costs and payments to the States for fiscal years 1971 through 1975.

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| | 1971 expend- iture | 1972 | | 1973 | | 1974 | | 1975 (estimated) | |
|---|--------------------------|------------------|--|------------------|--|------------------|--|------------------|--|
| | | Expend- iture | Increase or decrease (-) from previous year | Expend- iture | Increase or decrease (-) from previous year | Expend- iture | Increase or decrease (-) from previous year | Expend- iture | Increase or decrease (-) from previous year |
| (000 omitted) | | | | | | | | | |
| Forest Service administrative costs | \$ 624 | \$ 680 | \$ 56 | \$ 832 | \$ 202 | \$ 792 | \$-90 | \$ 909 | \$117 |
| Payments to States | <u>4,363</u> | <u>4,323</u> | -40 | <u>4,133</u> | -190 | <u>4,260</u> | 127 | <u>4,639</u> | 399 |
| Total | <u>\$4,987</u> | <u>\$5,003</u> | | <u>\$5,015</u> | | <u>\$5,052</u> | | <u>\$5,568</u> | |

According to the Forest Service, the 46-percent increase in CFM administrative costs since fiscal year 1971 resulted from inflation and the onset of new program activities which have required employing additional specialists to handle the increased workload, including training of State personnel.

The Forest Service cites its Sawmill Improvement Program and its Multiple Accomplishment Reporting System as two examples where additional specialists and computer equipment were required. The Forest Service operates the computer equipment centrally rather than having each State maintain such capabilities.

USE OF COOPERATIVE AGREEMENTS

After noting the statement in our report that the Forest Service administers the CFM program through cooperative agreements with the States, Chairman Reuss asked:

(a) *Has the Forest Service initiated procedures to revise those agreements to conform with the 1972 amendments?*

(b) *If the answer to (a) is no, please explain why not. If the Service contends that a revision is not needed, please review some of those agreements and advise us whether the GAO agrees with that contention.*

Asked if the CFM agreements with the States require revision to implement Public Law 92-288, the Forest Service replied:

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"No. Standing cooperative agreements are no longer needed. The USDA form AD-623, Application for Federal Assistance, now constitutes the cooperative agreement which is renewed annually during the program and financial planning process. This form is prescribed by FMC 74-7 (formerly OMB Circular A-102). OMB Circular A-95 and Treasury Memorandum 1082 also provided a basis for the change."

Attachment M to FMC 74-7, dated September 13, 1974, prescribes a form identical to AD-623.

The cooperative agreements formerly used had a contract format that obligated the States to administer and supervise a cooperative program while requiring the Federal Government to provide funding. Exactly what type of cooperative program was involved, the goals to be met, and the amount of Federal funding were unstated.

AD-623 specifies all these matters in addition to such other information as the project's duration and impact, the amount of Federal funds involved, and how those funds are to be spent. AD-623 thus seems to be a better means of accomplishing projects within the CFM program and of allocating Federal funds for it.

PRIORITY SYSTEM FOR CFM PROGRAM

The States' procedure of responding to landowner requests, with no priority given to any particular forestry objective, appears lackadaisical and inconsistent with the statute and congressional intent. However, to attempt an affirmative priority system for the CFM program might be ineffective until the Forest Service requests funds at the level authorized by Public Law 92-288. We would appreciate GAO's views and comments on this analysis.

We do not agree with this analysis. The practice of relying on landowner-initiated requests as a basis for providing CFM program assistance is not the best possible means for directing the program. Because of the vast number and varying degrees of importance of forestry opportunities on private lands and the limited funds available, we believe that specific CFM program goals should be established now and not later when authorized funding levels are reached. These goals should reflect the future needs

of the Nation and should be classified according to importance. As a result, the States will need a priority system to insure achieving the more important goals first.

We recognize, however, that a certain amount of time will still be required to respond to landowner requests for assistance that may relate to lower priority goals. Consequently, the Forest Service needs to determine what portion of the CFM program should be directed toward each of the specific program purposes, as we have recommended.

USE OF MULTIPLE ACCOMPLISHMENT
REPORTING SYSTEM

Is the Multiple Accomplishment Reporting System used in developing CFM information provided to the Congress?

Yes. The Forest Service's Multiple Accomplishment Reporting System (MARS), which accumulates information on the major accomplishments achieved through the cooperative forestry programs, is used in developing CFM accomplishments reported annually to the Congress as support for budget requests. The accomplishments reported to the Congress are listed in general categories, such as number of woodland owners given assistance, acres of accomplished timber stand improvement work, and acres planted or seeded.

Is the intent of the following GAO recommendation: "obtain appropriate information and evaluate the effectiveness of these programs to increase the supply of softwood sawtimber and to meet other program purposes, and report the results to the Congress" that the Forest Service improve both its reporting system and the data it provides to the Congress?

Yes. MARS does not currently obtain enough information on timber management accomplishments. The system should be revised to obtain information on such matters as age of the stand, species, and site productivity for reforestation and timber stand improvement accomplishments. Similar information is being accumulated under the Forestry Incentives Program to allow for an effectiveness evaluation.

We believe this information, if accumulated for the CFM program, would provide a better basis for evaluating the program's effectiveness in increasing the supply of softwood sawtimber and for assessing the effectiveness of State

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efforts to direct assistance to the most productive land. We also believe that the results of these evaluations should be reported to the Congress for its use in considering budget requests.

CFM ALLOCATION FORMULA

After noting the statement in our report that the Forest Service developed the 1951 CFM apportionment formula with the National Association of State Foresters, Chairman Reuss asked:

(a) On what basis was the formula so developed by the Forest Service when the statute requires that it be determined by the Secretary after consultation with a national advisory board of State foresters or equivalent officials?

(b) Does the Secretary have a CFM national advisory board and, if so, who are its current members and their affiliations?

The Forest Service administers the CFM program within the Department of Agriculture. The formula received the official approval of the Secretary of Agriculture after his consultation with a national advisory board of State foresters. The Executive Committee of the National Association of State Foresters is the national advisory board prescribed in section 2 of the CFM Act (16 U.S.C. 563d). The committee currently comprises the following members:

President--Paul Kramer, Director, Texas Forest Service
 Past President--Ralph Winkworth, Director, Division
 of Forest Resources, North Carolina
 Vice President--Bill Moody, State Forester, Alabama
 Forestry Commission
 Secretary Treasurer--Fred Siemert, Forestry Supervisor,
 Division of Forestry, Illinois
 Member-at-large--John Bethea, Director, Division of
 Forestry, Florida

What changes have occurred in the original CFM formula?

According to the Forest Service, the original CFM formula has been periodically revised by the Department of Agriculture in consultation with the national advisory

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board. The original formula was based on the number of private landowners owning from 1 to 500 acres of forest land and the amount of State funds spent for the CFM program in excess of Federal matching funds. In 1953, following a resolution by the National Association of State Foresters, the method of allocating funds was changed to include an allotment floor of \$20,000 for each participating State when new Federal money was made available. This was done to help those States getting a late start in the program. This base was changed to \$30,000 in 1965.

In 1967 the basic formula was changed by (1) increasing the basis for counting the number of private forest landowners from 1 to 500 acres to 10 to 5,000 acres of forest land, (2) adding a factor to reflect the acres of commercial forest land in each State, (3) doubling the factor value for State overmatching of Federal funds, and (4) adding a provision that would guarantee that no State may have its current allotment reduced to less than 96.5 percent of its allotment for the preceding year.

In 1971 the Congress appropriated an additional \$820,000 in CFM funds to provide increased attention to the Nation's softwood need. Since opportunities for increasing softwood supplies depend on such factors as the quantity of softwood acreage, productivity factors, and land ownership patterns, and since these opportunities do not occur uniformly across the Nation, the Department of Agriculture developed a softwood formula to distribute the increased funds. Under this formula 43 States shared some portion of the increase based on softwood acreage in nonindustrial private ownership. Of the 43 States, 25 received more than \$9,500 each.

In 1972 the CFM national advisory board recommended abandoning the softwood formula and distributing all funds under the basic CFM formula. They reasoned that the basic formula recognized accelerated effort by softwood-producing States. The Forest Service agreed and the separate fund distribution formula was dropped.

At an October 1973 meeting of the National Association of State Foresters, the Forest Service's Acting Deputy Chief for State and Private Forestry said the CFM record of accomplishments under the softwood formula did not reveal any great effect from the increased funding. According to this

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official, it would be necessary to indicate what outputs are expected in terms of impact on the timber supply to justify funding increases in State and private forestry in the future. Under the softwood formula, money was allocated on the basis of potential opportunities for increasing softwood supplies within the States. The allocations, however, were incorporated with the other CFM program funds and were not directed at accomplishing any specific quantitative goals. As the result, there was no assurance that emphasis would be given to increasing softwood inventories.

In recommending that the Forest Service base CFM fund allocations on a State's contributions toward meeting previously established goals and its capability to meet current goals, is GAO recommending that the CFM formula be changed?

Our recommendations would require adjustments in the CFM allocation formula. We believe these adjustments, which can be made under existing authority, are necessary to insure an effective program for accomplishing quantitative and qualitative goals.

The present CFM formula has no means for directing the program toward measurable accomplishments. For example, the current allocation formula does not consider the type or quantity of assistance given to individuals; instead, it considers the amount of money the State spent. In addition, the formula considers the number of landowners without considering the capability of the land to meet program objectives.

In the October 1973 meeting of the National Association of State Foresters, the Forest Service pointed out that the regular formula distribution of increases had not produced the accomplishments required to justify such increases and that other methods must be found for the equitable allocation of Federal funds to accomplish the objectives for which the funds are provided.

Requested clarification of whether GAO recommended a change in the CFM allocation formula and whether such a formula change is required, in light of the legislative history of Public Law 92-288, at least as to any increase in appropriations over \$5 million.

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Our recommendation that the Forest Service base the CFM fund allocations on contributions toward meeting previously established goals and the capability to meet current goals contemplated a change in the CFM apportionment formula so that funds would be spent to accomplish designated goals. The recommendation for such a change was not made on the assumption that the increased authorization in Public Law 92-288 necessarily requires a formula change.

Section 2 of Public Law 92-288 amended 16 U.S.C. 568d by increasing from \$5 million to \$20 million the authorization mentioned in that provision. As amended, 16 U.S.C. 568d provides:

"There is authorized to be appropriated annually, to enable the Secretary to carry out the provisions of this section and section 568c of this title, the sum of \$20,000,000. Apportionment among the participating States, administrative expenses in connection with cooperative action with such States, and the amount to be expended by the Secretary to make technical services available to private persons and agencies, shall be determined by the Secretary after consultation with a national advisory board of not less than five State foresters or equivalent officials selected by a majority of the State foresters or equivalent officials of all States, Territories, or possessions participating in the program."

Nothing in this provision or its legislative history requires a change in the factors presently used to determine the apportionment of CFM funds, although both House and Senate reports state that \$5 million of the increased authorization would be for the urban and community forestry (U&CF) aspect of the CFM program.

"(2) Section 2 of the bill would increase from \$5 million to \$20 million the authorization for assistance to the States in carrying out the program of forestry assistance to landowners authorized by the Cooperative Forest Management Act. Ten million dollars of this increase would be for assistance to forest land owners. Five million dollars of the increase would fund the urban and community forestry program which would be included as a part of the cooperative forest

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management program by section 1 of the bill."
H. Rept. No. 92-472, supra, at 4. See also S.
Rept. No. 92-592, supra, at 5.

This intended allocation was not carried into law by Public Law 92-288 since that statute does not authorize funds for any particular project within the CFM program. Moreover, although the proposed allocation may accurately reflect congressional intent in anticipation of a full \$20 million appropriation, its value as an indicator of such intent is limited to that situation and would be questionable, certainly if less than \$20 million were in fact appropriated specifically for the CFM program.

Further, the ultimate disposition of CFM funds could still be determined by subsequent legislation. Such legislation, being a later expression by the Congress, is entitled to great weight and might well be controlling. The fiscal year 1975 appropriations act for the Forest Service, enacted into law subsequent to Public Law 92-288, states:

"State and private forestry cooperation: For cooperation with States in forest-fire prevention and suppression, in forest tree planting on non-Federal public and private lands, and in forest management and processing, and for advising timberland owners, associations, wood-using industries, and others in the application forest management principles and processing of forest products, as authorized by law, \$34,638,000." (Public Law 93-404, Aug. 31, 1974, 88 Stat. 815.)

This legislation combines the CFM program with other cooperative programs without reference to U&CF projects or other specific goals within the CFM program. Public Law 93-404 does not establish a fund allocation formula for activities within the CFM program, and the legislative history of Public Law 93-404 does not indicate an intent to allocate the appropriation for particular CFM activities. (See S. Rept. No. 93-1069, 93d Cong., 2d Sess. (1974); H. Rept. No. 93-1209, id., H. Rept. No. 93-1293 (Conference), id.)

In summary, our recommendation intended that the CFM apportionment formula be changed so that funds would be spent to accomplish specified goals; however, Public Law

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92-288, its legislative history, and subsequent legislation making appropriations for the CFM program do not in this case appear to have the legal effect of requiring such a change.

STATE PARTICIPATION

Have any States failed to continue providing a reasonable share of the expenses of the CFM program?

The CFM Act (16 U.S.C. 568d) requires that, during any fiscal year, the amount paid by the Federal Government under the act to any State shall not exceed the State's CFM expenditures. A comparison of CFM expenditures for 49 States 1 during fiscal years 1971 and 1973 showed that expenditures for 39 States increased by \$3,901,365 while expenditures for the other 10 States decreased by \$250,492. During fiscal year 1973 all but two States--Arizona and Rhode Island which matched Federal funding--had CFM expenditures in excess of Federal funding.

FORESTRY INCENTIVES PROGRAM

After noting that the Agricultural Stabilization and Conservation Service (ASCS) was administering the Forestry Incentives Program (FIP), the Chairman questioned why the Forest Service developed the FIP allocation formula.

Section 1009 of the Agriculture and Consumer Protection Act of 1973 (Public Law 93-86, Aug. 10, 1973, 87 Stat. 245), which authorized the Forestry Incentives Program, designated the Secretary of Agriculture to administer the program. On November 7, 1973, the Secretary's Memorandum No. 1829 established the organizational arrangement and assigned responsibilities for carrying out an integrated Rural Environmental Conservation Program, which included forestry incentives for fiscal year 1974. ASCS is responsible for receiving applications for cost-sharing assistance, executing contracts with the landowners for such assistance, and certifying payments to the landowners.

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Arizona came into the CFM program during fiscal year 1972.

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The Forest Service, in consultation with State foresters, is responsible for developing recommendations for allocating funds to States and counties and establishing priorities for cost-sharing assistance. It is also responsible for providing technical advice through State foresters to land-owners for planning and accomplishing the practices approved for cost sharing.

Does the Forestry Incentives Program, section 1009, Agriculture and Consumer Protection Act of 1973, 87 Stat. 245, 16 U.S.C. 1509, require the Secretary of Agriculture to consult only with the National Policy Board or the National Association of State Foresters?

The requirement for consultation placed upon the Secretary of Agriculture by 16 U.S.C. 1509 is that

"The Secretary shall consult with the State forester or other appropriate official of the respective States in the conduct of the forestry incentives program under this section, and Federal assistance shall be extended in accordance with section 1503(b) of this title."

The statute does not mention the national policy board, which consists of various Department officials, or any group of State foresters or other appropriate State officials by name. The Secretary therefore is not required to consult with the national policy board or the National Association of State Foresters. He may of course do so since the statute does not limit the sources from which the Secretary may seek advice.

The factors to be considered in developing a fund allocation formula for the Forestry Incentives Program are set out in 16 U.S.C. 1509(c).

"* * * The Secretary shall for the purposes of this section distribute funds available for cost sharing among and within the States only after assessing the public benefit incident thereto, and after giving appropriate consideration

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to the number and acreage of commercial forest lands, number of eligible ownerships in the State, and counties to be served by such cost sharing; the potential productivity of such lands; and the need for reforestation, timber stand improvement, or other forestry investments on such land. No forest incentives contract shall be approved under this section on a tract greater than five hundred acres, unless the Secretary finds that significant public benefit will be incident to such approval."

Although the statute sets the factors to be considered, the determination of the exact weight to be given each formula factor is within the discretion of the Secretary because of the "appropriate consideration" phrase in the statute. A November 19, 1973, document entitled "Procedure for Apportionment of Forestry Incentives Funds among the States" by the Division of Forest Economics and Marketing Research, Forest Service, recognized and discussed the factors required by 16 U.S.C. 1509(c) to be considered in determining how funds for this program were to be allocated among the States.

In addition, the funds for this program are to be distributed only after the Secretary assesses "the public benefit incident thereto." Since the statute does not define "public benefit," the Secretary apparently has additional discretion, after determining the allocation formula, to distribute funds on a basis that varies from the formula if he finds a greater public benefit from doing so.

In recommending that the Forest Service and ASCS base the FIP fund allocations on a State's contributions toward meeting previously established goals and its capability to meet current goals, is GAO recommending that the FIP formula be changed?

Our recommendation would require adjustments in the FIP allocation formula. We believe that, although performance in meeting timber production goals could not be considered in the formula used in allocating funds for the initial year's operation of the Forestry Incentives Program, such performance, together with the State's capability for meeting current timber production goals, should be primary

considerations in subsequent fund allocations. This will require establishing quantitative goals for measuring the program's effectiveness in accomplishing its objectives and making the necessary revisions in the allocation formula to better insure that funds are directed to those States whose past performance and present capability offer some degree of assurance that timber production goals will be accomplished in the future. These adjustments to the FIP allocation formula can be made under existing legislative authority.

SEATON PANEL REPORT

The April 1973 report of the President's Advisory Panel on Timber and the Environment (Seaton Panel) recommended continuing present Federal and State programs to aid small private forest owners. The Panel encouraged and supported efforts to develop new approaches aimed at increasing timber from private lands in small ownerships. The Panel, however, cautioned against overoptimism about increasing the output of wood from private, nonindustrial forests above that which would occur naturally.

Chairman Reuss requested GAO's comments on the Panel's cautionary statement.

We have no special knowledge regarding the Panel's statement. The Congress, however, recognized the need for increasing the timber growth on private, nonindustrial forest lands and, in August 1973, created the Forestry Incentives Program, which provides for cost-sharing measures to stimulate private investments in forestry practices. The Chief of the Forest Service said that, without such assistance, these private forest landowners are unlikely to intensify forest management in a substantive way, even in response to price increases, because of short ownership tenure, lack of capital, lack of knowledge, or other factors. He said public programs of technical assistance and cost sharing appeared to be the only way to bring about substantial increases in timber supplies from these private, non-industrial forest lands.

The Panel acknowledged that public and industry forestry assistance programs have had some effect in increasing the total wood production on small, private

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forests but that it was difficult to appraise the effectiveness of the varied programs because it could not put a quantitative estimate on the extent of these increases or on the results achieved per unit cost.

We believe that any Government efforts to increase timber supply should provide for the data collection in qualitative and quantitative terms necessary to evaluate the cost effectiveness of a program in accomplishing its goals and objectives.

The Forest Service is developing a process to evaluate the Forestry Incentives Program. The evaluation is to consist of:

- Monitoring the program's performance as measured by increased timber yield and financial return on investment.
- Obtaining enough information to adequately identify strong and weak points for program redirection.
- Monitoring the impact of timber practices upon output of other forest goods.

This evaluation process should solve the Seaton Panel's concern of not being able to quantify timber increases and the costs associated with these increases.