CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE

August 18, 1998

H.R. 4149
Forest Service Cost Reduction and Fiscal Accountability Act of 1998

As ordered reported by the House Committee on Agriculture on August 6, 1998

SUMMARY

H.R. 4149 would modify how the U.S. Forest Service accounts for indirect expenditures and general administration costs. The bill also would limit the amount of expenditures which could be charged to certain mandatory funds.

CBO estimates that implementing H.R. 4149 would increase discretionary outlays by about $300 million over the 1999-2003 period, assuming appropriation of the necessary amounts. We also estimate that the bill would result in a net decrease in direct spending of about $20 million in fiscal year 2000. Because the bill would affect direct spending, pay-as-you-go procedures would apply. H.R. 4149 contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act (UMRA) and would not affect the budgets of state, local, or tribal governments.

DESCRIPTION OF THE BILL'S MAJOR PROVISIONS

H.R. 4149 would modify how the Forest Service accounts for costs that are known as indirect expenditures. The bill defines indirect expenditures as those for indirect support activities and any other expenditures (including salary, travel, training, and vehicle use) that cannot be specifically identified with a single project. It would limit the amount of indirect expenditures which could be charged to certain funds that have permanent—or mandatory—spending authority.

All Resources Reporting System

H.R. 4149 would require the Secretary of Agriculture, acting through the Chief of the Forest Service, to prepare a schedule within 180 days of enactment for implementation of an accounting system (to be known as the All Resources Reporting System) for costs and revenues associated with Forest Service programs. The bill would require the All Resources Reporting System (ARRS) to be implemented no later than the start of the second full fiscal year following enactment. For purposes of this estimate, CBO assumes that the bill will be enacted in October 1998—that is, after the beginning of fiscal year 1999. Therefore, we expect that the Secretary would implement ARRS by October 1, 2000 (the beginning of fiscal year 2001).

Limits on Indirect Expenditures

Within 90 days of enactment, H.R. 4149 would limit the annual indirect expenditures that the Forest Service could charge to six mandatory funds to 20 percent of each fund's total expenditures. However, the bill also would give the Forest Service flexibility to shift these indirect expenditures to other funding sources. In addition, the bill would require the Secretary of Agriculture to prepare a schedule for reducing indirect expenditures to no more than 10 percent of total annual expenditures from each of the mandatory funds beginning on the first day of the second full fiscal year and eliminating such indirect expenditures from the funds by the end of the second full fiscal year following enactment. The bill would require the Secretary to disclose plainly in budget requests the amount of indirect expenditures and general administration costs charged to each account for the budget year and each of the preceding three fiscal years.

Strategic Plan

H.R. 4149 would require the Secretary to provide the Congress with a five-year strategic plan for identifying and reducing indirect expenditures and general administration costs in programs specified in the bill, while also maintaining or increasing the goods and services provided by such programs. The Secretary of Agriculture would be required to include a review of the results of implementing the strategic plan in annual budget requests.

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary impact of H.R. 4149 is shown in the following table. The costs of this legislation fall within budget function 300 (natural resources and environment).

	By Fiscal Year, in Millions of Dollars				
	1999	2000	2001	2002	2003
CHANGES IN DIRECT SPENDING					
Estimated Budget Authority	0	-20	0	0	0
Estimated Outlays	0	-20	0	0	0
CHANGES IN SPENDING SUBJECT TO APPROPRIATION					
Estimated Authorization Level	0	44	61	109	100
Estimated Outlays	0	40	60	100	100

BASIS OF ESTIMATE

For the purposes of this estimate, CBO assumes that H.R. 4149 will be enacted during fiscal year 1999 (after October 1, 1998).

Direct Spending

H.R. 4149 would limit the annual indirect expenditures that the Forest Service could charge to six mandatory funds: the brush disposal fund, the cooperative work-other fund, the Knutson-Vandenburg fund, the reforestation trust fund, the salvage sale fund, and the roads and trails fund. In each case, such spending would be limited to 20 percent of each fund's total annual expenditures.

In addition, the bill would direct the Secretary to prepare a schedule for reducing indirect expenditures to 10 percent (or less) of total annual expenditures from each mandatory fund as of the first day of the second full fiscal year after enactment. The bill provides that the schedule should call for eliminating indirect expenditures from the mandatory funds by the end of the second full fiscal year following enactment. CBO estimates that the 10 percent limitation would become effective on October 1, 2000—the start of fiscal year 2001—and that elimination of indirect expenditures from the funds would be effective at the start of fiscal year 2002.

According to the General Accounting Office (*Indirect Expenditures to Five Funds*, GAO/RCED-98-164R), in fiscal year 1997 the Forest Service charged about $119 million in indirect expenditures to five of the mandatory funds. (There were no expenditures from the roads and trails fund in fiscal year 1997.) In four of the funds, indirect expenditures exceeded 20 percent of each fund's total expenditures for fiscal year 1997.

CBO estimates that in fiscal year 1999 and each year thereafter, H.R. 4149 would require the Forest Service to shift roughly $20 million of indirect expenditures from the six mandatory funds to discretionary funding sources. Furthermore, assuming that the Secretary prepares and implements the required schedule as described in the bill and assuming no overall change in Forest Service indirect expenditures, we estimate that the Secretary would shift a total of roughly $60 million of indirect expenditures from mandatory funds to other discretionary funding sources in fiscal year 2001, and about $100 million in fiscal year 2002 and each year thereafter. These changes could be smaller if the Forest Service redefined the cost categories within the mandatory funds and thereby shifted fewer expenditures to discretionary funding sources, or if the agency reduced overall expenditures.

Shifting spending from mandatory funds to appropriated accounts would, by itself, decrease direct spending out of the funds. Because of a backlog of currently unfunded projects, however, CBO estimates that beginning in fiscal year 2000 the Forest Service would increase expenditures from the mandatory funds for additional projects, resulting in no net change in direct spending from those accounts. (We do not expect any significant change in project expenditures in fiscal year 1999 because of the start-up time required to begin additional projects.)

CBO estimates that in fiscal year 1999 the Forest Service would be required to spend about $20 million of appropriated funds—which would not otherwise have been spent until the following fiscal year—to cover indirect expenditures in fiscal year 1999 that could not be charged to the mandatory funds under H.R. 4149. This change in the timing of discretionary outlays from 2000 to 1999 would count as an increase in direct spending, offsetting the estimated decrease in spending from the mandatory funds. Therefore, we estimate that H.R. 4149 would result in no net change in direct spending in fiscal year 1999. However, in fiscal year 2000 the net effect of H.R. 4149 would be to decrease direct spending by $20 million. While reduced indirect expenditures from the mandatory funds in 2000 would be offset by new expenditures out of those funds for additional projects, the shift in discretionary outlays from previously appropriated amounts (from 2000 to 1999) to cover the 1999 indirect expenditures would mean an overall drop in direct spending in 2000. As discussed below, we estimate that additional appropriations would be required in 2000 to cover the shortfall from shifting money into 1999.

Spending Subject to Appropriation

Assuming that the Forest Service would not change indirect expenditur es, CBO estimates that implementing the bill would result in increased discretionary outlays of about $40 million in fiscal year 2000 and about $300 million over the 1999-2003 period, subject to appropriation of the necessary amounts. These outlays would result from a shift in indirect expenditures from mandatory accounts to discretionary accounts to comply with the bill's limitations on the indirect expenditures from the mandatory accounts. We estimate that additional appropriations of $20 million would be necessary in 2000 to cover the shortfall caused by shifting funds to cover indirect expenditures for 1999. Furthermore, we estimate a need for additional appropriations of another $20 million in 2000 to cover indirect expenditures for that year. The need for additional appropriations would increase as the additional limitations on indirect expenditures from mandatory funds are phased in. Overall, CBO estimates that additional appropriations totaling about $300 million over the 1999-2003 period would be necessary to cover all indirect expenditures shifted to discretionary accounts. As noted above, that shift would probably not result in any net change in direct spending because the demand for new projects (funded from the mandatory accounts) would offset the required reductions in use of the mandatory funds for indirect expenditures.

PAY-AS-YOU-GO CONSIDERATIONS

The Balanced Budget and Emergency Deficit Control Act sets up pay-as-you-go procedures for legislation affecting direct spending or receipts. The net changes in outlays and governmental receipts that are subject to pay-as-you-go procedures are shown in the following table. CBO estimates that enacting H.R. 4149 would result in a net decrease in direct spending in fiscal year 2000 because of a mandatory shift in the use of already appropriated funds to cover indirect expenditures in fiscal year 1999.

	By Fiscal Year, in Millions of Dollars										
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Changes in outlays	0	0	-20	0	0	0	0	0	0	0	0
Changes in receipts	Not applicable										

INTERGOVERNMENTAL AND PRIVATE-SECTOR IMPACT

H.R. 4149 contains no intergovernmental or private-sector mandates as defined in UMRA and would not affect the budgets of state, local, or tribal governments.

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