



**CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE**

November 3, 1997

**H.R. 858
Quincy Library Group
Forest Recovery and Economic Stability Act of 1997**

*As ordered reported by the Senate Committee on Energy and Natural Resources on
October 22, 1997*

SUMMARY

H.R. 858 would direct the Secretary of Agriculture to conduct a five-year pilot project on the Plumas and Lassen National Forests, and portions of the Tahoe National Forest, to implement resource management activities as recommended in the Quincy Library Group Proposal. CBO estimates that new discretionary outlays to implement H.R. 858 would be \$3 million in fiscal year 1998 and a total of \$70 million over the 1998-2002 period, assuming appropriation of the estimated amounts. Implementing the legislation could lead to an increase in offsetting receipts from timber harvests, but enacting H.R. 858 would not, by itself, affect direct spending or receipts; hence, pay-as-you-go procedures do not apply to the act.

H.R. 858 contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act of 1995 (UMRA) and would impose no costs on state, local, or tribal governments.

DESCRIPTION OF THE ACT'S MAJOR PROVISIONS

H.R. 858 would direct the Secretary of Agriculture to conduct a pilot project on the Plumas and Lassen National Forests and the Sierraville Ranger District of the Tahoe National Forest, excluding certain protected areas, to carry out resource management activities as recommended in the Quincy Library Group (QLG) Proposal. The legislation would require the Secretary to implement these resource management activities on not less than about 49,000 acres and no more than 70,000 acres each year for the five-year term of the pilot project if doing so is consistent with all environmental laws. According to the U.S. Forest

Service, the act's forest management requirements would (1) increase the total acreage on which they carry out fuels management activities, (2) result in fuels management on different areas than under current practice, and (3) change the type of silvicultural methods used to reduce fuels on that acreage. The primary intent of the QLG proposal is to reduce the risk of high intensity wildfires which are the inadvertent result of years of suppressing low intensity fires that allowed fuel to accumulate in the forests.

Section 2(d)(1) would require the Forest Service to construct fuelbreaks in the pilot project area on between 40,000 and 60,000 acres per year. Fuelbreaks are areas of a forest where trees and other vegetation have been thinned to reduce the amount of material available to fuel wildfires. Section 2(d)(2) would require the Forest Service to use certain silvicultural methods to achieve the forest conditions desired by the QLG. Specifically, H.R. 858 would require that trees be removed by "group selection" on 0.57 percent of the lands covered by the pilot project (the Lassen, Plumas, and portions of the Tahoe National Forests), about 9,300 acres each year. Group selection refers to the silvicultural practice of removing all timber within an area up to two acres in size. The legislation also would permit individual tree selection within the pilot project area.

H.R. 858 would direct the Secretary of Agriculture to begin the five-year pilot project following completion of an environmental impact statement (EIS). The Forest Service expects that the EIS would take about one year to complete. The pilot project would end either after five years, or whenever the Forest Service completes revisions of the land and resource management plans for the three affected national forests, whichever is earlier. The legislation would require the Secretary to submit annual status reports on the pilot project to the Congress and specifies that expenditures for each report not exceed \$125,000. H.R. 858 would direct the Secretary to establish an independent scientific panel to review the pilot project and report to the Congress whether the project achieved the goals stated in the QLG proposal. The act specifies that expenditures for watershed monitoring in connection with the report are not to exceed \$175,000 per year, and that additional spending on the report is not to exceed a total of \$350,000.

H.R. 858 authorizes to be appropriated such sums as are necessary to carry out the pilot project. Section 2(f) provides that the pilot project may be funded by amounts specifically provided to the Forest Service for that purpose or year-end excess funds allocated for administering the three affected national forests, but prohibits the Secretary from using funds appropriated for any other unit of the National Forest System. Section 2(f) states that the Secretary shall not exercise the authority to use year-end excess funds in other accounts if doing so would limit other multiple use activities on federal lands for which those funds were available.

Section 2(m) would direct the Alternative Agricultural Research and Commercialization Corporation, an independent entity within the Department of Agriculture, to evaluate the advisability of making commercialization assistance loans to support two projects to demonstrate the commercial application of technology to convert wood waste or low-quality wood byproducts into usable, higher-value products. If such demonstration projects are supported, the agency is to consider one in the QLG pilot project area and one in southeast Alaska. CBO cannot predict whether the corporation would decide to make such loans following their evaluation, but in any case loans are made out of the corporation's revolving fund which is subject to appropriations action.

ESTIMATED COST TO THE FEDERAL GOVERNMENT

Based on information from the U.S. Forest Service, CBO estimates that discretionary outlays to implement H.R. 858 would be about \$3 million in fiscal year 1998 and a total of about \$70 million over the 1998-2002 period, assuming appropriation of the estimated amounts. Implementing the act's provisions could increase offsetting receipts from future timber harvests in the affected forests, but any such change is contingent upon the appropriation of funds to implement those provisions, how the Forest Service implements the project, and whether the agency changes its existing timber program on the three affected forests. Hence, enacting H.R. 858 would not, by itself, affect offsetting receipts. The estimated budgetary impact of H.R. 858 is shown in the following table. The costs of this legislation fall within budget functions 300 (natural resources and environment) and 350 (agriculture).

	By Fiscal Year, in Millions of Dollars					
	1997	1998	1999	2000	2001	2002
SPENDING SUBJECT TO APPROPRIATION						
Spending Under Current Law						
Budget Authority ^a	5	5	0	0	0	0
Estimated Outlays	5	5	0	0	0	0
Proposed Changes						
Authorization Level	0	3	28	20	10	10
Estimated Outlays	0	3	24	21	11	11
Spending Under H.R. 858						
Authorization Level ^a	5	8	28	20	10	10
Estimated Outlays	5	8	24	21	11	11

a. The 1997 level is the amount appropriated for that year. For fiscal year 1998, the agency expects to allocate a similar amount from an appropriations act that was recently cleared by the Congress (H.R. 2107).

BASIS OF ESTIMATE

According to the U.S. Forest Service, the Secretary of Agriculture allocated \$5 million in each of fiscal years 1996 and 1997 to supplement the regular appropriations for the purpose of implementing resource management activities recommended by the QLG for the Plumas, Lassen, and Tahoe National Forests. The agency expects to allocate a similar amount in fiscal year 1998. CBO estimates that implementing H.R. 858 would result in total additional outlays of about \$70 million over the 1998-2002 period (excluding the \$5 million in 1998 funding shown in the table as spending under current law). We derived that estimate by summing estimated costs for preparing an EIS, constructing the fuelbreaks, carrying out the group selection, conducting project-level planning and environmental reviews, and completing required reports and monitoring. These discretionary costs could be offset by savings if the Forest Service chooses to implement the pilot project in lieu of the current timber programs in those forests.

Based on information from the Forest Service, CBO estimates a cost of \$1 million for 1998 to complete an EIS before the pilot project would begin. Outlays to implement the group selection would be about \$2 million for advance planning in fiscal year 1998 and would total \$14 million over the 1998-2002 period. CBO estimates that constructing the fuelbreaks would require outlays of about \$19 million in fiscal year 1999 and a total of \$51 million over the 1999-2002 period. The estimated costs for project-level planning and environmental reviews are included in the above amounts for fuelbreak construction and group selection. H.R. 858 would accelerate the existing schedule for revising the land management plans for these forests, resulting in additional discretionary spending of about \$2 million over the 1999-2002 period.

Assuming appropriation of the estimated amounts, CBO expects that the fuelbreak construction and group selection required by H.R. 858 would result in timber harvest volumes from the pilot project area of about 165 million board feet in the first year and about 250 million board feet per year in the subsequent years of the pilot project. Such volumes could reduce direct spending by \$6 million in fiscal year 1999 and by \$74 million over the 1999-2002 period. That net change in direct spending would reflect gross offsetting receipts of \$90 million over the 1999-2002, and mandatory spending (such as required payments to states) of \$16 million over the same period. Actual receipts could vary significantly (higher or lower) from these estimates depending on which acres are treated, the volume and value of the timber inventory on those acres, and the time required to plan and carry out the forest management activities. Whether such potential volumes are in addition to currently planned timber harvests or in lieu of current harvest levels would depend on how the Forest Service chooses to implement H.R. 858.

If the Forest Service stopped its current timber management program on the three national forests, discretionary savings of about \$5 million per year would offset additional costs to implement H.R. 858. (Because it is unclear whether such savings would be generated, the above table does not reflect that potential change in discretionary spending.) In any case, because implementation of the pilot project would be contingent on additional appropriations, CBO estimates no change in direct spending (including offsetting receipts) from enacting H.R. 858.

PAY-AS-YOU-GO CONSIDERATIONS: None.

ESTIMATED IMPACT ON STATE, LOCAL, AND TRIBAL GOVERNMENTS

H.R. 858 contains no intergovernmental mandates as defined in UMRA and would impose no costs on state, local, or tribal governments. States generally receive 25 percent of the timber receipts from national forests within their borders. Assuming appropriation of the estimated amounts necessary to implement this legislation, CBO expects that the state of California could receive additional payments of \$13 million over the 1999-2002 period.

ESTIMATED IMPACT ON THE PRIVATE SECTOR

H.R. 858 would impose no new private-sector mandates as defined in UMRA.

PREVIOUS CBO ESTIMATE

On June 17, 1997, CBO prepared a cost estimate for H.R. 858 as ordered reported by the House Committee on Resources on May 21, 1997. The two versions of H.R. 858 are similar, as are the cost estimates. The version ordered reported by the Senate Committee on Energy and Natural Resources requires completion of an EIS before the pilot project begins, which would delay implementation of the pilot project and change the timing of expected spending, as compared to the pace of spending under the version of H.R. 858 that was approved by the House Committee on Resources.

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