

**CHAPTER 16****ACCOUNTING FOR PRODUCTION AND SALE OF FOREST PRODUCTS****1601 OVERVIEW**

160101. Purpose. The purpose of this chapter is to establish the policy and procedures for accounting for the production and sale of forest products. It also assigns responsibility for DoD reimbursement and for the entitlement of a state to a share in the net proceeds derived from forest products sold from military installations or facilities.

160102. Applicability and Scope. The policies and procedures established by this chapter:

A. Apply to the Office of the Secretary of Defense (OSD) and to the Military Departments (including their National Guard and Reserve components). The term “Military Services,” as used herein, refers to the Army, Navy, Air Force, and Marine Corps.

B. Cover forest products production and sales programs on military installations or facilities in the United States.

C. Do not apply to forestry activities within the civil programs of the U.S. Army Corps of Engineers or to the state-owned National Guard installations.

**1602 POLICY AND PROCEDURES**

160201. DoD appropriations incurring obligations for the production and sale of forest products shall be reimbursed from collections made as a result of the sale of such products. Remaining collections shall be disposed of as follows:

A. Forty percent of installation net proceeds shall be distributed to the state that includes the military installation or facility from which forest products were sold during a fiscal year. If the installation or facility is located in more than one state, each state shall share proportionally in the net proceeds (see subsection 160208, below). Entitlement to the states applies to forest products sold after September 30, 1984.

B. Once the disbursement to each state has been made, any remaining amount shall be transferred to the reserve account (see subsection 160203, below). To the extent that collections from the sale of forest products are inadequate, obligations for the production and sale of such products may be financed either from the appropriation accounts or transfers from the reserve account.

160202. The Treasury General Fund Receipt Clearing Accounts (F3875) shall receive all sales proceeds. Transfers of these proceeds shall be made, in accordance with the

approved budgets, to the applicable Operations and Maintenance (O&M) and Other Procurement appropriations that incur obligations, which are reimbursable, for the production and sale of forest products.

160203. A DoD reserve account shall be established.

A. Balances in the account may be used for the following:

1. Improvements of forest lands.
2. Unanticipated contingencies in the administration of forest lands and the production of forest products for which other sources of funds are not available in a timely manner.
3. Natural resource management that implements approved plans and agreements.

B. The balance in the reserve account shall not exceed \$4 million on December 31 of any calendar year. Unobligated balances exceeding \$4 million on that date shall be deposited in the U.S. Treasury General Fund Miscellaneous Receipts Account (see subsection 160207, below).

160204. The operating procedures to be followed for program obligations is as follows:

A. Program obligations shall be related directly to the economic production and sale of forest products in the following functions:

1. Forest Improvement. Obligations incurred for improving an existing timber stand or forest, whether it is planted, seeded, or natural, and including thinning, pruning and controlling undesirable vegetative growth.
2. Reforestation. Obligations incurred for natural or artificial regeneration including planting; purchasing of seeds or seedlings; preparing sites; and controlling insects, diseases, vegetation, and animals.
3. Forest Protection. Obligations incurred for the protection of a forest capable of economic production of forest products including damage by fire, insects, diseases, animals, floods, and erosion.
4. Forest Access Roads. Obligations incurred for construction, reconstruction, repair, and maintenance of forest access roads and trails and for repair of other roads as a result of forest production and harvest operations.

5. Sales. Obligations incurred for sales and preparation for sales of forest products including appraising, cruising, marking, scaling, advertising, escorting prospective bidders, as well as preparing, administering, and enforcing compliance with sales contracts.

6. Management. Obligations incurred for the management of the functions listed in subparagraphs 160204.A.1 through 160204.A.5, above, including supervising, planning, programming, conducting field surveys and inventories, training, and attending professional meetings.

7. Forestry Equipment. Obligations incurred in the purchase of vehicles, minor equipment, and heavy equipment used exclusively in forest management (purchased by O&M or procurement appropriations under reimbursable program authority).

B. To the extent that an installation receives applicable program support from a function or activity above the installation level, costs shall be prorated on the basis of level of effort among all applicable military installations or facilities involved in the program.

C. Program obligations do not include amounts incurred for operations that, while related to the land and forest, are for other purposes such as the military mission, recreation, general area improvement, wildlife management, and beautification. They do not include amounts for the protection of forests that are incapable of economic production of timber products. Program obligations at all organizational levels shall be categorized according to the functions listed in subparagraphs 160204.A.1 through 160204.A.7, above.

D. Reimbursable program obligations under Title 10, United States Code, section 2665(d) include all program costs except those in paragraph 160204.C, above. Acquisition of equipment shall be justified on an economic basis. When general equipment is used in forestry program operations, obligations incurred by DoD appropriations for such use shall be included as program costs.

#### 160205. Accounting and Reimbursements

A. Proceeds collected from forestry sales shall be turned over to the servicing DoD disbursing officer. These proceeds shall be deposited without delay to the Treasury General Fund Receipt Clearing Account \*\*F3875, "Budget Clearing Account (Suspense)." (The applicable agency code shall be shown instead of asterisks.) That portion of the proceeds which is to be used to finance reimbursable expenses shall be transferred to O&M or procurement appropriations in accordance with the annual budget. Table 16-1 illustrates the applicable Treasury account symbols.

**TREASURY ACCOUNT SYMBOLS**O&MProcurement

(1) Army - 21(FY)2020	21(FY)2035
(2) Navy - 17(FY)1804	17(FY)1810
(3) Air Force - 57(FY)3400	57(FY)3080
(4) Marine Corps - 17(FY)1106	17(FY)1109

**Table 16-1**

160206. At the end of the fiscal year, an estimate shall be made of the amount of each state's entitlement and transferred from \*\*F3875 to deposit account \*\*X6875, "Suspense." After the states' entitlements are computed (see subsections 160201.A and 160208), the estimate shall be adjusted with applicable refunds to \*\*F3875 or additional transfers to \*\*X6875. Payments to the states shall be made from \*\*X6875. After the states have been paid and appropriation accounts reimbursed, any remaining balance in \*\*F3875 shall be transferred to 21\*5285, "Department of Defense, Forest Products Program, Army."

160207. On December 31 of each year, the Deputy Under Secretary of Defense (Environmental Security) (DUSD(ES)) shall review the balance in 21X5285 and direct the transfer of any amount in excess of \$4 million to Treasury account \*\*3210, "General Fund Proprietary Receipts, Defense Military, Not Otherwise Classified."

160208. Entitlements to each state shall be computed in accordance with Title 10, United States Code, section 2665(e). These entitlements shall be determined on the basis of a separate calculation for each military installation or facility from which forest products were sold in that fiscal year.

A. Records shall be maintained for each military installation or facility concerned to show sales proceeds and reimbursable program obligations by fiscal year. If a military installation or facility is located in more than one state, payments shall be made to each state involved in a manner proportional to the area of the installation or facility situated in each state. If an installation or facility is located in more than one county within a state, a description of the areas (acres) of the installation or facility situated in each county may accompany that state's entitlement.

B. States' entitlements shall be disbursed within 90 days after the end of the fiscal year. Payments to the states shall be made by electronic funds transfer.

160209. As directed by the DUSD(ES), in coordination with the Office of the Under Secretary of Defense (Comptroller) (OUSD(C)), net proceeds may be distributed among

the Military Services to ensure the overall funding requirements of the DoD forestry program are met.

160210. The recording of sales revenue, program obligations, entitlement payments to states, and all other accounting for this program shall be in accordance with the requirements of this chapter.

160211. Appendix 2 contains DUSD(ES) coordinating and reporting requirements. The Forest Products Sales Program report has been assigned Report Control Symbol DD-A&T (Q&A)1649; see paragraph 160302.A, below, and Appendix 2.

### 1603 RESPONSIBILITIES

160301. The Deputy Under Secretary of Defense (Environmental Security) shall:

A. Issue and monitor policy on forest management of DoD lands in accordance with DoD Directive 4700.4, “Natural Resources Management Program.”

B. Advise the Military Services of potential downward adjustments to funding for the program during the year if timely receipt of anticipated proceeds becomes doubtful.

160302. The Secretaries of the Military Departments shall:

A. Prepare annual forestry program budgets for the coming fiscal year that include anticipated sales revenue, program obligations, States’ entitlements, unfinanced requirements, and transfers. See Appendix 2 for due date and other reporting information.

B. Ensure that all proposed obligations are related directly to the economical production and sale of forest products, consistent with DoD Directive 4700.4, “Natural Resources Management Program.”

C. Ensure that no unplanned program obligations are incurred simply to “use up” proceeds.

D. Adjust the program downward during the year by reducing planned obligations if actual proceeds do not materialize at anticipated levels and sufficient funding cannot be obtained from the reserve account.

E. Ensure that all program obligations are accumulated in DoD appropriation accounts and that reimbursements and distributions to States and the use of funds from the DoD Reserve Account conform with subsection 160203, above.

F. Follow the procedures in subsection 160205, above.

G. Coordinate approved budgets with the DUSD(ES) to assist in planning and trade-off analysis and to ensure effective and efficient functioning of the overall DoD program.

H. Review the cumulative total obligations incurred, estimated program obligations, cumulative revenue, and realistic estimates of future revenue to determine whether DoD forests remain capable of economic production.

I. Identify to the DoD Executive Agent (see paragraph 160303.A, below) the official who is authorized to transfer surplus funds and accept reserve funds.

160303. The Secretary of the Army shall:

A. Act as DoD Executive Agent to monitor and coordinate financial management of the DoD forest products program.

B. Coordinate the transfers of surplus and reserve funds.

C. Maintain the DoD Reserve Account (21\*5285) and make transfers in accordance with the instructions from the DUSD(ES). (Replace asterisk with fiscal year designator.)

## APPENDIX 1

## DEFINITIONS

1. Forest Products. Those items produced from a forest such as sawtimber, veneer logs, poles, piles, posts, pulpwood, pine straw, stumpwood, bark, and other mulch, cones, seeds, mistletoe, firewood, and wood chips.
2. Net Proceeds. The amount received by the United States during a fiscal year (FY) as proceeds from the sale of forest products produced on a military installation or facility, minus the amount reimbursed to the Department of Defense, under 10 U.S.C. 2665, for program costs incurred by that installation or facility. Program costs shall include obligations for current operating expenses and for the purchase of capital equipment required to operate the program.
3. Reserve Funds. A reserve account authorized under 10 U.S.C. 2665 and administered by the Department of Defense. The amount is held in the U.S. Treasury Special Fund Account 21\*5285, Department of Defense, Forest Products Program, Army.
4. Surplus Funds. The amount expected to be available during the year within the Department of Defense after providing for the reimbursements under this Instruction. These funds represent the amounts to be transferred to the DoD Reserve Funds Account.

## APPENDIX 2 COORDINATION AND REPORTING REQUIREMENTS

### **Annual Coordination of DoD Forest Products Program**

1. Purpose. To coordinate forestry obligations and revenues of the Military Services to ensure that overall DoD revenue is sufficient to reimburse all authorized obligations for the production and sale of forest products.

2. Authority. Title 10, United States Code, section 2665

3. Schedule

a. December 15. Each Military Service disburses funds to the various states. The disbursement must be accompanied by identification of the generating installation(s) and amount generated by each installation.

b. December 30. Each Military Service deposits funds from the F3875 clearing account to the DoD Reserve Account (21\*5285).

c. January 2. Each Military Service transmits the “Actual Revenue and Obligations Report” to the Executive Agent (EA) and the Office of the Deputy Under Secretary of Defense (Environmental Security) (DUSD(ES)).

d. February 15. Each Military Service transmits to the EA and the DUSD(ES), a report of cumulative program revenue and obligations through December 31 of the current fiscal year and any planned changes (see format below).

e. May 15. Each Military Service transmits to the EA and the DUSD(ES), a report of cumulative program revenue and obligations through March 31 of the current fiscal year and any planned changes.

f. August 15. Each Military Service transmits to the EA and the DUSD(ES), a report of cumulative revenue and obligations through June 30 of the current fiscal year and any planned changes.

g. September 1. Each Military Service transmits to the EA and the DUSD(ES), its planned forest products revenue and expenses, by appropriation, for the coming fiscal year (see format below). This plan must reflect no deficit in the program; however, description of unfinanced needs may accompany the plan.



## APPENDIX 2 (Cont'd)

## ACTUAL REVENUE AND OBLIGATIONS

RCS: DD-A&amp;T(Q&amp;A)1649

(Due January 2)

For FY \_\_\_\_\_

Military Service \_\_\_\_\_

	(Other) <u>Procurement</u>	<u>O&amp;M</u>	<u>Total</u>
<b>I. <u>PROGRAM RESERVE AND OBLIGATIONS</u></b>			
A. Revenue (actual deposits to F3875 account)			\$_____
B. Distributions (from F3875 account)	\$_____	\$_____	(____)
C. Reimbursable Obligations	(\$_____)	(\$_____)	
D. Unobligated Balance Remaining and Returned to F3875	\$_____	\$_____	\$_____
E. Subtotal			\$_____
F. States' Entitlements <sup>1/</sup>			(____)
G. Transfer to Reserve Account			(____)
H. Total			\$ -0-
<b>II. <u>UTILIZATION OF RESERVE FUND</u></b>			
A. Transfers In	\$_____	\$_____	
B. Obligations <sup>2/</sup>	\$_____	\$_____	
C. Unobligated Balances Returned to Reserve Fund	\$_____	\$_____ \$_____	

<sup>1/</sup> Provide by installation, state, and amount.<sup>2/</sup> Provide a brief description of forestry projects and/or activities funded from reserve funds.

## APPENDIX 2 (Cont'd)

## ANNUAL FOREST PRODUCTS PROGRAM BUDGET

RCS: DD-A&amp;T(Q&amp;A)1649

(Due September 1)

For FY \_\_\_\_\_

Military Service \_\_\_\_\_

	(Other) <u>Procurement</u>	<u>O&amp;M</u>	<u>Total</u>
A. Planned FY Revenue		\$_____	
B. Planned FY Distribution	\$_____	\$_____	\$_____
C. Planned FY Obligations	\$_____	\$_____	\$_____
D. Planned Net <sup>1/</sup>			\$_____
E. Planned Payments to States		\$_____	
F. Unfinanced Needs (describe below)	\$_____	\$_____	\$_____

<sup>1/</sup> Total of item A. minus total of item C.

**APPENDIX 2 (Cont'd)****QUARTERLY FOREST PRODUCTS PROGRAM****RCS: DD-A&T(Q&A)**

(Due February 15, May 15, August 15)

Military Service \_\_\_\_\_

Date \_\_\_\_\_

FY \_\_\_\_\_

- |   |          |
|---|----------|
| A. Planned Revenue this Fiscal Year (FY)                    | \$ _____ |
| B. Planned Obligations this FY                              | \$ _____ |
| C. Cumulative Actual Revenue this FY                        | \$ _____ |
| D. Cumulative Actual Obligations this FY                    | \$ _____ |
| E. Net Proceeds this FY (Item C minus Item D)               | \$ _____ |
| F. Current Estimate of States Entitlements this FY          | \$ _____ |
| G. Current Unfinanced Needs for this FY<br>(describe below) | \$ _____ |

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