

**Forest Service Handbook
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Forest Service Handbook 2409.15 – Timber Sale Administration Handbook

Chapter 40 - Payments

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Approved by: Mike Dombeck, Chief

Date approved:

Responsible Staff:

Last Change: Amendment 2409.15-99-1 to 2409.15,40 Contents.

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Digest: Following is an explanation of the changes throughout the directive by section.

This amendment removes references to obsolete timber sale contract forms and contract provisions; updates stumpage rate adjustment procedures; adds requirements for coordination actions with law enforcement personnel; allows for the use of purchaser deposits across timber sale accounting zones; makes minor editorial changes; and recodes direction throughout chapter 40. Other substantive changes are as follows:

40.3 and 41: Revises the name of the Automated Timber Sale Accounting - Automatic Data Process System (ATSA-ADP), which is now shortened to the Automated Timber Sale Accounting System (ATSA).

40.5: Removes obsolete references to the terms "midpoint payments" and "scheduled payments," previously included in the list of terms and contract provisions cross-references.

42.1 - 42.18: Revises and recodes direction on rates of payment formerly found in sections 42.5 - 42.59, and recodes subsequent sections to present direction on contract provisions in numerical order throughout the chapter.

42.12: Recodes and clarifies direction on escalation procedures (formerly in sec. 42.52) and adds direction on stumpage rate escalation where the contract provides for 100 percent upward and 100 percent downward adjustments.

42.13a: Adds new direction for rate redeterminations after environmental modification.

42.13b: Recodes and clarifies direction for scheduled rate redeterminations, by defining volume in contract condition A(AT)7 (formerly in sec. 42.53a).

42.13c: Removes obsolete direction related to emergency rate redeterminations. (formerly in sec. 42.53b). Recodes direction on purchaser credit for rate redeterminations after catastrophic damage (formerly in sec. 42.53c) and adds new direction on purchaser credit limit adjustment in construction work performed, but abandoned because of catastrophe.

42.14a: Recodes and clarifies direction concerning cutting and removal of other species or products not listed in contract condition A(AT)2 upon written approval of the Contracting Officer (formerly in sec. 42.54a).

42.14b: Recodes existing direction (formerly in sec. 42.54b) and adds new direction to coordinate with law enforcement personnel when trees are cut by mistake.

42.14c: Recodes and clarifies direction on designated timber cut, but not removed (formerly in sec. 42.54c), and removes direction concerning timber sale contracts issued prior to 1973.

42.15 - 42.16: Recodes and revises direction on damage to undesignated timber (formerly in sec. 42.55), removes obsolete direction pertaining to 1970 contract (formerly in sec. 42.56), and adds new direction for coordination with law enforcement.

42.3: Recodes and corrects direction on timber sale account to clarify that purchaser credit may not be used to pay base rates (formerly in sec. 42.2).

42.31: Recodes and adds information on how purchaser credit is earned (formerly in sec. 42.21).

42.31a: Recodes and revises direction on cash deposits formerly in section 42.21a and moves direction on downpayments to section 42.31b.

42.31b: Recodes and revises direction on downpayments (formerly in sec. 42.21a).

42.31f: Recodes and revises direction on deposits when payment is guaranteed to be consistent with contract provision C(CT)4.224 (formerly in sec. 42.21e, contract provision B(BT)4.224).

42.31g: Recodes and clarifies direction on use of cooperative deposits to emphasize that if the Forest Service performs work without receiving advance payment from the purchaser, the work must be paid for with appropriated funds (formerly in sec. 42.21f).

42.31h: Recodes and removes reference to obsolete contract provision C(CT)4.226 on use of deposits (formerly in sec. 42.21g).

42.31i: Recodes and revises direction on the use of blanket cash deposits to reflect new contract provisions (formerly in sec. 42.21h).

42.32: Recodes and revises direction on the refund of excess cash on tree measurement sales (formerly in sec. 42.22) and adds new direction on the release of downpayments when operations are suspended.

42.33: Recodes and adds further direction on refund of excess cash after scaling and after final charges (formerly in sec. 42.23).

42.4: Recodes and revises direction on the use of payment guaranteed by bond or deposited securities by requiring the purchaser to provide a power of attorney and agreement authorizing the bond-approving officer to sell or collect securities if payment is not made within the required time period (formerly in sec. 42.3).

42.41: Recodes and revises direction by providing for use of blanket payment bonds on timber sale accounting zones, rather than administrative National Forests. Adds an explanation on use of blanket bonds and adds instructions to issue an interim bill for collection if the value of timber cut escalates and credit in the account is exhausted before the purchaser makes the next payment (formerly in sec. 42.31).

42.5: Recodes and revises direction consistent with the new contract provision C(CT)4.4 to reflect actions to be taken on scaled sales and tree measurement sales when payments are not received by the due date (formerly in sec. 42.4).

43: Makes minor editorial changes through out this section on procedures for tree measurement sales.

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This chapter provides sale officers (sec. 04 through 04.7 of this handbook) with direction concerning the functioning of the Automated Timber Sale Accounting System. It also provides direction for payment procedures on timber sale contracts.

40.3 - Policy

1. Use the Automated Timber Sale Accounting system (ATSA) to produce all accounting and statistical data for timber sales.
2. At a minimum, update timber sale contract financial information in the ATSA once a month.
3. Schedule month-end closures early enough in the month to allow 15 days for payment and still have collection in the same month.

40.4 - Responsibility

Forest Supervisors and District Rangers may assign responsibility for financial accounting of timber sale-related receipts to qualified employees within their organizations. Timber sale accounting is usually assigned to the fiscal and accounting section or to the resource section in the Forest Supervisor's Office, with other specified accounting duties assigned to Sale Administrators and other employees in the business and finance sections on Ranger Districts. Each line officer is responsible for organizing the tasks in a way to best meet their needs and for complying with the requirements of the Automated Timber Sale Accounting Handbook, FSH 6509.17.

40.41 - Regional Forester

It is the responsibility of the Regional Forester to ensure cut-off dates for monthly scale reports are established.

40.42 - Forest Supervisor

It is the responsibility of the Forest Supervisor to ensure that the personnel responsible for fiscal and accounting activities:

1. Schedule updates, reports, and month-end closures early enough in the month to allow 15 days for payment and still have collection in the same month (sec. 40.3, para. 3).
2. Verify basic contract data from the districts.
3. Update allocation of payment bonds when there are changes in the contract.
4. Develop methods and procedures for submission of data to the Automated Timber Sale Accounting System.

5. Check statements of account for accuracy.
6. Mail statements and billings to purchasers when necessary.
7. Close contracts.
8. Provide districts with assistance and training on timber sale accounting procedures.

40.43 - District Ranger

It is the responsibility of the District Ranger to ensure that:

1. The Sale Administrator and Engineering Representative provide data to keep the ATSA system up-to-date.
2. The officer for fiscal and accounting activities submits scale tickets, makes volume corrections, and ensures that correct scale volumes are posted to ATSA monthly.

40.5 - Definitions

Understanding of certain timber sale contract terminology is critical to using the Automated Timber Sale Accounting (ATSA) system and related processes. The following terms are described in the Forms FS-2400-6 and FS-2400-6T contract provisions and/or in the definitions in section 05 of this handbook.

TERM	REFERENCE Contract Provision
Timber sale account	B(BT)4.2
Purchaser credit	B(BT)4.21
Purchaser credit limit	B(BT)4.21
Base rates	A(AT)5
Base rate value	B(BT)4.21
Effective purchaser credit	B(BT)4.21
Current contract rates	B(BT)3.1
Current contract value	B(BT)3.1
Advertised rates	A(AT)5
Bid rates	A(AT)5
Tentative rates	A(AT)5
Bid premium rates	A(AT)5
Flat rates	A(AT)5
Required deposits*	A(AT)5
Base index	A(AT)5
Payment guarantee	B(BT)4.3
Cooperative deposits*	B(BT)4.225
Cash deposits	B(BT)4.22
Downpayment	C(CT)4.220#

*In the ATSA, required and cooperative deposits are noted as associated charges.

41 - Automated Timber Sale Accounting System

The Automated Timber Sale Accounting (ATSA) system produces all the necessary accounting and statistical data required for the administration of a timber sale. It is a computerized system that processes data for individual sales on a monthly basis, providing the purchaser and Forest Service with accounting documents that represent the official accounting record. For detailed direction and information, refer to FSH 6509.17, Automated Timber Sale Accounting Handbook.

41.04 - Responsibility

For detailed direction about system administration responsibilities, refer to FSH 6509.17, Automated Timber Sale Accounting Handbook.

42 - Payment Procedures for Log Scale and Tree Measurement Sales

Read Forms FS-2400-6 and FS-2400-6T Division B and/or Division C contract language along with this section. The appropriate contract provisions follow each heading.

42.1 - Rates of Payment (B(BT)3.0)

42.11 - Current Contract Rates (B(BT)3.1 and A(AT)5)

This contract provision defines the current contract rates paid for timber. Other terms pertaining to payment are listed and defined at the end of contract condition A(AT)5.

1. The bid premium rates remain constant during the life of the contract; copy the entries in contract condition A(AT)5 directly from Form FS-2400-14, Bid for Advertised Timber, or from the proportionate rate calculations, if total value or weighted average bidding is used.

2. Contract condition A(AT)5a provides for listing material subject to escalation; contract condition A(AT)5b is for material sold at flat rates. Use both tabulations for sales having "dual pricing," such as a sale where some species are escalated and other species are fixed.

3. Base rates, determined as described at 36 CFR 223.61 and in FSM 2431.31b, remain constant during the sale, except that they may be reduced for catastrophically damaged timber.

4. Contract provision B3.1 provides for pricing timber cut and removed from the sale, but still unscaled at the time of contract expiration. This situation may occur when timber is scaled after storage off the sale area, as in mill deck scaling. Rates for this timber stay the same as if scaling were completed immediately prior to the termination date.

42.12 - Escalation Procedure (B(BT)3.2, C(CT)3.2, and A(AT)6)

These contract provisions provide the formula for adjusting rates to reflect market fluctuations. New indices for the past quarters are generally available from the Washington Office in the first month following the quarter.

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For contracts with B(BT)3.2, when the calendar quarter index average is lower than the base index, adjust the bid rate downward by the full amount (100 percent) of such difference, but not to below the base rate. When the quarterly index is above the base index, adjust the bid rate upward by one-half (50 percent) of the difference. Upward adjustments are limited to the difference between the base rate and tentative rate. The following example illustrates application of the formula for contracts with B(BT)3.2.

Calendar- Quarter- First	Quarterly Index	Base Index	Difference	Base Rate	Tentative Rate	Escalation Adjustment	Current Contract
First	173.00	180.00	-7.00	\$6.00	\$10.00	-4.00	\$6.00
Second	179.00	180.00	-1.00	\$6.00	\$10.00	-1.00	\$9.00
Third	185.00	180.00	+5.00	\$6.00	\$10.00	+2.50	\$12.50
Fourth	190.00	180.00	+10.00	\$6.00	\$10.00	+4.00	\$14.00

For contracts with C(CT)3.2, both the upward and downward adjustments are 100 percent of the difference between the base index and the calendar quarter index. Downward adjustments are limited to not below the base rate and upward adjustments are limited to the difference between the base rate and tentative rate.

When the bid rate for a species is the same as the base rate, there is no escalation for that species.

42.12a - Unavailable Index (C(CT)3.21)

This contract provision permits the substitution of another index to replace an unavailable or inadequate index. Take no action under this contract provision without prior approval of the Chief. Provision is made for establishment of flat rates in the event there is no suitable replacement index.

42.13 - Rate Redetermination (B(BT)3.3)

Rate redeterminations under B(BT)3.3 may be made for three possible circumstances:

1. Rate redeterminations after an environmental modification or other contract modification,
2. Scheduled rate redeterminations included in the contract, or
3. Rate redeterminations after catastrophic damage such as fire damage to the included timber.

42.13a - Rate Redetermination After Environmental Modification (C(CT)3.3#)

This provision provides for an adjustment of contract rates based on the change in appraised value due to the modification. This procedure should be used for any contract modification that changes contract performance requirements, except for catastrophic damage rate redeterminations.

42.13b - Scheduled Rate Redetermination (B(BT)3.31 and A(AT)7)

Scheduled rate redetermination, within 5 years of award date, is a limited type of rate redetermination to update the appraisal that determined advertised rates (FSH 2409.18, ch. 40). Scheduled rate redetermination made later than 5 years after the award date should follow the standard appraisal method in effect at that time.

1. Redetermine specified road costs at the time of a rate redetermination. The redetermined road costs are the sum of the purchaser credits earned, without holdback, as of the rate redetermination date for each road or road segment and the current estimated cost of specified road work still to be done.

2. As required by contract provision B(BT)3.3, add the bid premium rates to the redetermination rates. The last paragraph of contract provision B(BT)3.31 lists other requirements applicable to any scheduled rate redetermination. These requirements relate to base rates, base indices, required deposits, and specified road costs.

The scheduled times for redetermined rates to become established are in contract condition A(AT)7. The volume in contract condition A(AT)7 is the minimum volume, all species combined, required to be cut before lower rates become effective.

If the purchaser has not met the required cut, then redetermined flat or tentative rates (redetermined rates plus bid premiums), which are lower than current contract rates, do not become effective until the required cut has been met. However, unless delayed under contract provision B(BT)8.21, higher rates shall become effective on the dates listed.

42.13c - Rate Redetermination After Catastrophic Damage (B(BT)3.32)

Catastrophic damage is defined in contract provision B(BT)2.133. Modification of the contract, including redetermining rates, is provided in contract provision B(BT)8.33. This contract provision outlines the method for making rate redeterminations to reflect such catastrophic damage.

The purchaser credit limit may be adjusted and the purchaser may receive credit for construction work performed but abandoned because of the catastrophe.

42.14 - Other Payment Rates (B(BT)3.4)

The purpose of direction in sections 42.14 to 42.14c is to distinguish between kinds of material that:

1. The purchaser may remove without charge;
2. The purchaser may remove upon payment of all required deposits;

3. The purchaser may remove upon payment of a road maintenance deposit;
4. The purchaser may pay for at current contract rates; and
5. The purchaser may be required to pay charges for liquidated damages.

42.14a - Material Not in A2 and Material and Quantities Not in AT2 (B(BT)3.41)

Generally, encourage utilization of material from species that are listed in contract condition A(AT)2 but do not meet utilization standards, by allowing removal in more than incidental amounts without charge, except for deposits for road maintenance and use. Material which does not meet utilization standards is the wood for which a regular market is not available or a market had not been developed prior to the sale.

Increased use of material not listed in A(AT)2 is a primary objective. It is appropriate to eliminate as many barriers to cull removal as possible while protecting the resource and ensuring accountability.

Material listed under contract provision C(CT)2.11# becomes included timber upon written agreement between the purchaser and the Forest Service Representative. Small amounts of material may be removed as "incidental" before the signing of an agreement.

1. Allow incidental amounts of products listed in contract condition A(AT)2 which do not meet utilization standards to be removed without charge. Incidental amounts are those amounts of cull that are attached to an otherwise merchantable log. When the operator begins sorting the material, it becomes more than an incidental amount, even if the material involves only a few logs.
2. Allow the purchaser to remove material that does not meet utilization standards in more than incidental amounts from clear-cuts or construction clearings without charge, subject to a written agreement on deposits for road maintenance and use.
3. Allow purposeful removal of material that does not meet utilization standards in more than incidental amounts from units other than clear-cuts or construction clearings without charge only upon written approval of the Forest Service Representative and agreement on deposits for road maintenance and use.
4. Allow cutting and removal of other species or products not listed in contract condition A(AT)2 only upon written approval of the Contracting Officer without charge, other than required deposits established by agreement. Deposits can include Knutson-Vandenberg, slash disposal, and road use. Other species may include any species not listed in contract condition A(AT)2; other products may be stumps, firewood, or a product manufactured from a piece (whether or not the species is listed in contract condition A(AT)2) that does not meet the merchantability specifications of contract condition A(AT)2. Do not allow removal of material not included in contract condition A(AT)2 if removal of the material would not meet the

resource needs established in the environmental analysis and decision. Amend the analysis and decision documents prior to allowing removal if such amendment is necessary.

5. On scaled sales, do not allow removal in any form (firewood, shake bolts, rails, and so forth) not specified in contract condition A2, unless the Contracting Officer establishes a rate that is equal to the current contract rates. The primary concern is that the Government receive payment for material that meets the merchantability specifications of contract condition A2. The purchaser is required to follow the standard log accountability procedure.

42.14b - Timber Cut Through Mistake (B(BT)3.42)

This contract provision is self-explanatory. The Sale Administrator must notify law enforcement personnel within the timeframes provided in section 13.42c. Do not use this contract provision for timber that is cut outside sale area boundary.

42.14c - Designated Timber Cut But Not Removed (B3.43)

The purchaser is required to remove all included timber before the acceptance of any subdivision under contract provision B6.35, unless retention is justified under existing conditions, otherwise authorized, or required by other contract provisions.

42.15 - Undesignated Timber Damaged Without Negligence (B3.44/BT3.43)

This category of damaged timber differs from the category in section 42.16 for undesignated timber unnecessarily damaged or willfully cut. This contract provision provides for payments for trees damaged without negligence in road construction or logging when the Forest Service has included such timber in a timely manner under contract provision B(BT)2.131. Payment must be at current contract rates and must include required deposits for the material meeting utilization standards in contract condition A(AT)2 when cut and removed. The Sale Administrator must notify law enforcement personnel within the timeframes provided in section 13.42c.

42.16 - Undesignated Timber Unnecessarily Damaged or Negligently or Willfully Cut (B3.45/BT3.44)

The Contracting Officer may exercise discretion in determining whether or not to include timber meeting utilization standards if it has been unnecessarily damaged or negligently or willfully cut.

1. The Sale Administrator must notify law enforcement personnel within the timeframes provided in section 13.42c, if this contract provision is applicable.
2. Contract remedies must not be implemented prior to the contract administration team and law enforcement personnel making a joint decision on the appropriate course of action (sec. 13.42c). The decision to take trespass action depends upon the specific circumstances involved

in the situation, the cooperation or lack of cooperation that the purchaser provides, the magnitude of the undesignated cutting, and whether the timber is outside sale area boundary.

3. If the timber is included in the contract, the purchaser pays current contract rates, liquidated damages, and single payment of required deposits. Payment of liquidated damages under contract provision B3.46/BT3.45 does not depend upon the decision to include or not to include the timber. This contract provision also authorizes the Forest Service to establish payment rates for timber or a species or size not listed in contract condition A(AT)2.

42.17 - Liquidated Damages (B3.46/BT3.45)

The purchaser is required to cut all designated timber, including that timber later designated under contract provisions B3.44/BT3.43 and B3.45/BT3.44. Timber cut and removed under contract provision B3.44/BT3.43 is not subject to liquidated damages, regardless of whether or not the Forest Service included it to be cut in the contract.

42.18 - Defect Caused by Abnormal Delay (B3.47).

1. If there is abnormal delay on the part of the purchaser in presenting logs for scaling, separately record the deductions made for defects resulting from the delay and charge volume represented to the timber sale account. Consider the delay to be abnormal when more than incidental amounts of deductible defect result from the purchaser's delay in presenting the logs after felling the timber.

2. This contract provision includes felled timber on the sale area, as well as logs stored on the sale area or in decks prior to scaling; for example, timber left along constructed roads for extended periods of time. If the Forest Service constructed roads under the opted privilege of the purchaser (contract provision C2.32), this instruction might apply. The defect due to delay is an allowable scaling defect.

3. The direction in this section does not apply when the delay resulted from any of the circumstances described in contract provision B(BT)8.21, Contract Term Adjustment.

42.2 - Amount Payable for Timber (B(BT)4.1). This amount includes the current contract rate and the required deposits for slash disposal and road maintenance in effect on the date timber is scaled or the payment unit is released. This rate is applied to the volume to determine the amount the purchaser must pay. Current contract rates include additional deposits for sale area improvement under the Knutson-Vandenberg Act.

The National Forest Management Act of 1976 (NFMA), section 14(i) (16 U.S.C. 472a) provides that a small business concern may elect to have the Forest Service construct the required roads for a sale. If the purchaser so elects, the Forest Service shall not allow construction of an alternate route under contract provision B(BT)5.26. Contract provision C(CT)4.11# is included in the contract if the Forest Service receives a satisfactory bid for the road construction (public works) and the sale is awarded to the small business purchaser. This contract provision requires the purchaser to pay an amount equal to the engineer's estimate for the road construction in

addition to the base rate value. An analysis is necessary to ensure that the rate per unit of measure listed in the contract provision is above the base rate value. Also consider the transferred-in purchaser credit charged. Calculate the rate per unit of measure so that the engineer's estimated value is returned by the time 80 percent of the volume is removed. The Automated Timber Sale Accounting system automatically performs the required analysis and makes the applicable charges or refunds of previous payments to the statement of account.

42.3 - Timber Sale Account (B(BT)4.2)

The purchaser establishes a credit balance in this account through cash deposits and purchaser credit from specified road construction or provides other payment guarantees, such as a payment bond or deposited securities. The Forest Service issues a statement of account showing charges made against this credit balance. The statement includes charges for timber at current contract rates, slash disposal, road maintenance, and cooperative work.

To avoid unnecessary demands for cash, be sure to record purchaser credit earned or transferred. Purchaser credit may be used only for payment of timber value in excess of base rates. Purchaser credit may not be used to pay for slash disposal, road maintenance, or cooperative work. However, effective purchaser credit is considered equivalent to cash for advance deposits under contract provision B(BT)4.222.

42.31 - Purchaser Credit (B(BT)4.21)

1. Purchaser credit is earned by the purchaser's construction or reconstruction of specified roads. Purchaser credit becomes ineffective when it exceeds the value obtained by subtracting base rate value from current contract value. For example, if the current contract value is \$100,000 and the base rate value is \$10,000, only \$90,000 of any purchaser credit earned or transferred in by a purchaser would be effective. Effective purchaser credit varies as rates change under stumpage rate adjustment.

2. Effective purchaser credit may be used only for payment of timber value in excess of base rates. Do not use purchaser credit to pay for slash disposal, road maintenance, or cooperative work.

3. The computations of purchaser credit are governed by contract provision B(BT)5.3, which emphasizes the need for timely estimates of the purchaser's progress in completing specified road work. Amounts thus determined become credits to the timber sale account. Purchaser credit limit, the maximum amount of credit to be recognized under the contract, is defined in this contract provision. The purchaser credit limit for each road or road segment is in the Schedule of Items.

When giving purchaser credit for the purchaser's deposits for road reconstruction (contract provision C(CT)5.121#) or share-cost roads, credit to the purchaser's timber sale account the amount established by deposits as soon as the purchaser pays that amount to the Forest Service.

4. Contract provision C(CT)4.211# allows for transfers of effective purchaser credit. Transfers of effective purchaser credit may be made between sales of the same purchaser on a proclaimed National Forest. A proclaimed National Forest is one that is separate for purposes of distribution for the 25 percent fund (Twenty-Five Percent Fund Act, 16 U.S.C. 500).

a. The amount of the transfer-in limit, plus the amount of previously earned credit transferred out, is the total of the purchaser credit that may be transferred to a particular sale. Transferred purchaser credit may be used for charges above base, past or subsequent, and for advance deposit/cash deposit requirements. Replace any transferred-out purchaser credit subsequently found to be ineffective with cash, preferably on the sale from which transferred.

b. Purchasers may wish to withdraw credit transferred to other sales to return ineffective credit. The timber sale statement of account reduces previously charged credit on the sale in an attempt to maintain the effectiveness of transferred-out credits. Use current estimates of sale volumes to determine effectiveness of credit for the transfer procedures. Report known volume overruns and underruns to the personnel inputting volume data in the Automated Timber Sale Accounting system to ensure computing of the proper above base value for transfer requirements. The use of transferred-in purchaser credit provided for in other contract provisions is subject to the transfer-in limit of contract provision C(CT)4.211#.

42.31a - Cash Deposits (B(BT)4.22)

The purchaser is required to make all deposits to the unit collection officer at the designated lock box location within 15 calendar days of billing by the Forest Service. The bill must show the address to which the purchaser is to deliver payment. The billing should explain the purpose, and unless it is self-evident, state how the amount is determined. The timber sale statement of account provides the billing information needs. If the request is based on other data, the unit collection officer must provide a brief explanation to the purchaser on the billing form or in an attached letter.

The contract provides penalties for failure to make payment on time (contract provision B(BT)4.4). The due date shown on the billing shall be 15 calendar days from the date of mailing to the purchaser.

Prompt payments should be made to the purchaser when the Forest Service owes the purchaser money, such as refunds of excess cash, payment for cooperative road construction, and so forth. This payment is specifically required under contract provision B(BT)4.24 for refund when scaling is complete. Identify the purpose of such Forest Service payment.

42.31b - Downpayment (C(CT)4.220#)

This contract provision requires the purchaser to make a downpayment in the amount specified at the time of contract execution. Only cash or effective purchaser credit may be used to meet downpayment requirements. Hold the downpayment until 25 percent of the total bid value of the sale on the timber sale statement of account has been paid in the timber sale statement of

account, except as provided in section 42.32. In tree measurement sales with only one payment unit, the downpayment may be used for payment unit release.

The ATSA system releases the downpayment when 25 percent of the bid value is listed as paid for on the statement of account. The downpayment process is done automatically in the ATSA system.

42.31c - Advance Deposits (C(CT)4.221)

The amount of cash deposit is fixed as the amount necessary to cover, after allowance for available purchaser credit, the estimated value of timber the purchaser is expected to cut in not less than 30 days and not more than 60 days. The Sale Administrator must determine the amount of deposit by the use of current contract rates, adjusted if appropriate under contract provision B(BT)4.223, at each specific time an additional cash deposit becomes necessary. To make reasonable estimates, it is necessary to be knowledgeable about current operations on the sale. For example, the estimate may include the value of only 5 days cutting when that is the planned operation during the 30-day billing period. Sale Administrators are responsible for making cutting estimates.

Effective purchaser credit is equivalent to cash for advance deposit covering of all anticipated charges. See FSH 6509.17, chapter 30 for further explanation of advance deposit elements. In the opted road construction procedure, the purchaser is responsible for the advance deposits needed for the timber cut on the road right-of-way.

42.31d - Purchaser Credit as Deposits (B(BT)4.222)

Effective purchaser credit, defined under contract provisions B(BT)4.21 and C(CT)4.211#, is fully available for use in lieu of advance deposits for all anticipated charges. However, upon charging the account, issue a bill for a cash payment at base rates and for required deposits if cash is not available in the account to meet such charges.

42.31e - Deposits for Charges Subject to Escalation (B(BT)4.223)

The charges on the statement of account must reflect the previous quarter's rates. However, when the most recent monthly price index changes more than 5 percent from the previous quarterly index, take the estimated rate increase or decrease into account when determining the amount of the billing. The Automated Timber Sale Accounting system produces a separate statement with the heading B(BT)4.223 to facilitate this contract provision when applicable.

42.31f - Deposits When Payment Guaranteed (C(CT)4.224)

For timber cut but not removed from the sale area, consider payment guarantees to be the same as cash for advance deposit purposes.

When the purchaser removes timber under a payment guarantee from the sale area, the payment guarantee may be considered an advance deposit prior to payment for the timber or for timber that has been released for cutting, but not removed. The payment guarantee covers logs removed from the sale area for a varying period of 1 to 30 days after removal, plus the billing period.

42.31g - Cooperative Deposits (B(BT)4.225)

1. By written agreement, signed by the purchaser and the Forest Supervisor, the Forest Service may perform:

- a. Slash disposal,
- b. Road construction,
- c. Construction staking,
- d. Restoration or removal of improvements,
- e. Erosion control work, and
- f. Other performance requirements for which the purchaser is responsible.

Use Form FS-2400-16, Timber Purchaser's Request for Work, for this purpose. If the purchaser requests an accounting of such cooperative work, specify in the cooperative agreement the basis on which monthly accounts should be rendered. Certain types of work in which deposits are pooled, such as erosion control, do not lend themselves to precise accounting of the use of any particular purchaser's funds. However, it should be possible to report total expenditures on projects of interest to a purchaser.

2. Performance of the listed types of work is required as specified by the terms of the contract. If the Forest Service agrees to do all or portions of such work by written agreement and the purchaser pays for such work as stipulated by the agreement, the purchaser is relieved of the responsibility for doing the work. The purchaser is not relieved of such responsibility if the purchaser does not make payment, and the purchaser's performance is guaranteed to the extent of the performance bond.

3. As required in the Land Acquisition Act, 16 U.S.C. 572, the purchaser pays all costs of the work, including indirect costs, in advance of the Forest Service doing the work. These costs may also include an increase to approximate the cost of work to be completed in future years. If the Forest Service performs the work without receiving advance payment, it must be paid for with appropriated funds. Itemize charges on the timber sale account for any of the listed types of cooperative work for which the purchaser makes payment. Payment should be in a lump sum or may on occasion be based on units of volume reported cut (per hundred cubic feet (CCF)), cords, and so forth.

42.31h - Use of Deposits (B(BT)4.226)

This contract provision establishes a contractual relationship restricting the Forest Service to use of purchaser deposits to cover only the purchaser's obligations under the specific timber sale contract, unless otherwise authorized by the purchaser.

42.31i - Blanket Cash Deposit (B(BT)4.227)

By written agreement with the Forest Service, the purchaser may make a single deposit to cover cutting under several sales within the same administrative National Forest or timber sale accounting zone. This procedure, which does not change the amount required for any one sale account, facilitates the transfer of cash credit from the deposit account to any sale without purchaser request and without a refund. Through reallocation, it also effectively reduces to 30 days the 60-day shutdown qualifications for a refund of excess cash under C(CT)4.23.

42.32 - Refund of Excess Cash (C(CT)4.23)

1. Credit Balances. The purchaser's account may contain cash deposits substantially in excess of the amount necessary to maintain a credit balance.

a. If the credit balance exceeds charges for timber estimated to be cut in the next 60 days, refund that portion of the cash when the purchaser so requests. Do not make refunds that would reduce the downpayment, periodic payment, or extension deposit requirements.

b. When the purchaser credit or payment guarantee is adequate to meet the minimum balance requirements, do not withhold any cash from refund to cover the value of timber estimated to be cut within 60 days.

c. The credit balance may be reduced to zero during shutdown periods, if there are no other encumbrances for timber charges, except that on tree measurement sales the total value of partially cut payment units must be retained.

2. Downpayments. The downpayment cannot be transferred to cover obligations on other timber sale contracts, nor be refunded upon a purchaser's request, except when operations are delayed at the Government's request. Under contract provision C(CT)4.222, if operations are delayed at the Government's request, 98 percent of the downpayment amount may be refunded, with a minimum retention of \$1,000.

3. Refund of Deposit. There is no obligation to refund the deposit with bid. However, when the purchaser deposits negotiable securities of the United States or earns effective purchaser credit, refund of deposits in equivalent amounts may be made upon request of the purchaser.

42.33 - Refund After Scaling Completed (B4.24) and Refund After Final Charges for Released Timber (BT4.24)

These contract provisions provide for refunds of excess cash within 15 calendar days of the purchaser's request.

42.4 - Payment Guaranteed by Bond or Deposited Securities (B(BT)4.3)

This contract provision authorizes the use of payment bonds, letters of credit, assigned savings accounts, certificates of deposit, or deposited securities. These bonds or deposited securities can be used to cover timber cut and removed up to the billing due date, down timber cut but not removed, and timber anticipated to be cut within the next 30- to 60-day period on a timber sale. Coverage shall not exceed a 60-day calendar period, including 10-day cut coverage. These payment guarantees may also be used to open payment units on tree measurement sales.

If a payment bond or negotiable securities are provided, a performance bond provided under contract provision B(BT)9.1 does not guarantee payment. Bond rates are based upon payment for timber in advance of cutting. A surety may not be liable for losses, if the Forest Service permits a purchaser to cut without meeting payment requirements.

1. If the value of cut timber accelerates so that credit in the account is going to be exhausted before the purchaser makes the next payment or earns additional purchaser credit, request an interim cash payment. When a payment guarantee is in effect, issue billings monthly even though the amount may be relatively small.
2. Require the purchaser to send deposited securities used as a payment guarantee to the Regional Fiscal Agent, accompanied by a power of attorney and agreement authorizing the bond-approving officer to sell or collect such securities if payment is not made within 15 calendar days of billing by the Forest Service. Determine the value of securities prior to any allocation, and check the value frequently since this value may change due to the type of securities used. Use the deposited securities in the same manner as a blanket payment bond.
3. Retain deposited securities used in lieu of bond coverage only for the length of time necessary to satisfy specific contract requirements. Those made in place of the bid guarantee, for example, may be in effect for only a short period of time, depending on how soon the sale becomes active and establishes sufficient purchaser credit or begins timber harvesting activities.

42.41 - Blanket Bond (B(BT)4.31)

A blanket bond allows purchasers to use this bond on all their sales, rather than tie up large amounts of cash. Blanket bonds are convenient for sale financing because it is possible to change the payment allocation from one sale to another. If the penal sum of the bond will not cover anticipated needs, require the purchaser to obtain an increase rider to increase the penal sum of the bond. Blanket bonds are authorized for guaranteeing payment for sales only within the same timber sale accounting zone.

1. The contract authorizes reallocation of the full encumbered balance to another sale when any one sale is going to shut down for 30 days. The purchaser is required to make this request in writing. Do not allocate the value of 10 days' cut to inactive sales. This contract provision also requires a reallocation, together with any necessary cash or purchaser credit, to meet the usual

minimum credit requirements before any cutting may begin. For additional information on bonding, see FSH 6509.11k, chapter 80.

2. The minimum penal sum of the blanket payment bond must be equal to the sum of:
 - a. The value of timber removed, but not paid in the timber sale statement of account,
 - b. The remaining value of all released payment units covered by the bond, and
 - c. The value of down timber in the woods on inactive sales.
3. The minimum allocation of the blanket payment bond must be equal to the sum of the remaining value of all released payment units covered by the bond and the value of down timber in the woods on inactive sales.
4. The difference between the minimum penal sum and the minimum allocation may be reallocated to active sales.
5. If the value of timber cut escalates and credit in the account is exhausted before the purchaser makes the next payment, issue an interim bill for collection.

42.5 - Payment Not Received for Timber Cut and Other Charges (C(CT)4.4)

The purchaser is required to make deposits within 15 days of request. If the Forest Service has not received payment by the due date, any or all of the purchaser's operations may be suspended. On scaled sales, operations may be suspended any time the credit balance in the timber sale account falls below the estimated value of timber to be cut in 10 days. On tree measurement sales, the estimated value of 10 days' cut is needed only for designated material not included in AT2.

Interest begins to accrue on the amounts due for timber cut and removed as of the date the bill is issued. Interest is not charged for payments received within 30 days of the date bill is issued. For this reason, it is important to show the date of issue on the billing. The interest rate requirements are at the Treasury rates of interest under Treasury Federal Regulations Manual Chapter 8020.

1. Before ordering suspension for failure to pay within 15 days, contact the Purchaser's Representative to determine the reason the purchaser failed to make payment. The Forest Service Representative should document the results of this contact. If the purchaser gives assurance of prompt payment and if the credit balance (cash, purchaser credit, and payment guarantee) in the timber sale account is adequate, suspension may be delayed to provide time for prompt delivery of payment. In no event, however, should suspension be delayed if the purchaser's credit balance is inadequate. In event the of habitual late payment, immediate suspension is appropriate when the purchaser fails to make payment when it is due.
2. If payment is not received promptly, order suspension of operations. Ordinarily, when a purchaser is operating with advance cash deposits or negotiable securities, it is appropriate to

suspend only felling operations. When a payment bond is in use, it is usual to suspend both felling and hauling operations. However, if the sale involves species that are subject to rapid deterioration, it may be appropriate to permit hauling operations.

3. When payment is guaranteed by payment bond and the Forest Service has not received payment within 5 working days of the due date, demand payment from surety. Direct this demand and other notices to the surety main office as listed on the bond, with a copy to the agent issuing the bond. In the event surety fails to pay within 60 days following demand on surety, promptly seek advice from the Regional Office timber management staff.

4. When payment is guaranteed by negotiable securities and the Forest Service has not received payment within 5 working days of the due date, initiate actions needed to sell securities as necessary to cover the value of timber cut to date.

43 - Special Procedures for Tree Measurement Sales

With two major exceptions, tree measurement timber sale contracts are basically the same as log scale contracts. The major exceptions are volume determination and payments.

43.1 - Volume Determination

Volume is determined by tree measurement before advertisement, which eliminates the need for scaling. Contract provisions BT6.8 and CT6.8 outline the procedure to use if additional timber is to be included. Examples are damaged trees, trees cut for landings, safety, construction, and so forth (contract provision BT2.4). Additional volume should be measured by the same methods used to determine the advertised volume. Close sale administration is essential to ensure that the purchaser is not removing undesignated timber.

43.2 - Payments

Payment units may be released for cutting upon the purchaser's request if the purchaser has made adequate advance deposits or payment guarantee. Contract rates may be subject to escalation. The procedures regarding payments are somewhat different from the procedures for the log scale contract. Refer to the BT4 and CT4 sections in the contract. If payment units are too large to accommodate purchaser operations, contract provision BT1.1 provides for subdividing payment units to a size that the purchaser can log within 60 days at the purchaser's normal rate of logging. However, the purchaser must schedule removal at a rate so that all included timber is removed prior to termination date.

Even though timber has been measured and paid for in the timber sale statement of account, the purchaser must cut designated timber and remove portions meeting utilization standards. Title to timber does not pass to the purchaser until the purchaser has removed it from the sale area.