

October 2009

# VALLES CALDERA

## The Trust Has Made Progress but Faces Significant Challenges to Achieve Goals of the Preservation Act



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# Highlights

Highlights of [GAO-10-84](#), a report to congressional committees

## Why GAO Did This Study

In creating the Valles Caldera National Preserve from a unique parcel of land in north-central New Mexico, and by creating the Valles Caldera Trust as a wholly owned government corporation to manage the preserve, the Valles Caldera Preservation Act of 2000 established a 20-year public-private experiment to operate the preserve without continued federal funding. The Trust is charged with achieving a number of goals, including becoming financially self-sustaining by the end of fiscal year 2015.

This report, GAO's second and last mandated by the Preservation Act, examines (1) the Trust's progress since 2000; (2) the extent to which the Trust has fulfilled certain of its obligations as a government corporation; and (3) the challenges the Trust faces to achieve the Preservation Act's goals. GAO analyzed documents, financial records, and other Trust information and interviewed current and former members of the Trust's Board and staff, as well as representatives of local interest groups and stakeholders.

## What GAO Recommends

To further the Trust's efforts to become financially self-sustaining, GAO recommends that the Trust work with relevant congressional committees to seek legislative remedies, as appropriate, for the legal challenges it faces. In commenting on a draft of this report, the Trust generally agreed with GAO's findings and conclusions but did not comment on the recommendation.

[View GAO-10-84 or key components.](#)  
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## VALLES CALDERA

### The Trust Has Made Progress but Faces Significant Challenges to Achieve Goals of the Preservation Act

#### What GAO Found

The Trust has taken steps to establish and implement a number of programs and activities to achieve the goals of the Preservation Act. It has rehabilitated roads, buildings, fences, and other infrastructure; created a science program; experimented with a variety of grazing options; taken steps to manage its forests; expanded recreational opportunities; and taken its first steps toward becoming financially self-sustaining. Nevertheless, it is at least 5 years behind the schedule it set for itself in 2004. According to Trust officials, a number of factors—including high turnover among Board members and key staff and cultural and natural resources and infrastructure that were not as healthy or robust as originally believed—have delayed its progress.

Through fiscal year 2009, the Trust had yet to develop and put in place several key elements of an effective management control program for a government corporation. Specifically, the Trust lacked a strategic plan and annual performance plans, and it had not systematically monitored or reported on its progress—elements called for by the Government Performance and Results Act and recommended by GAO in its first report in 2005. The Trust's financial management has also been weak. Consequently, it has been difficult for Congress and the public to understand the Trust's goals and objectives, annual plans and performance, or progress.

According to current Trust officials, becoming financially self-sustaining, particularly by the end of fiscal year 2015 when federal appropriations are due to expire, is the Trust's biggest challenge. Most of the Trust's other challenges follow from this one, including identifying, developing, or expanding revenue-generating activities that would enable the Trust to raise sufficient funds; obtaining funds for major capital investments; and addressing a number of legal constraints—such as its authority to enter into long-term leases or acquire property—which potentially limit its ability to attract long-term businesses that could generate revenues. Nevertheless, the Trust is continuing to explore opportunities for becoming financially self-sustaining.

Valle Grande from Redondo Peak, the Highest Point in Valles Caldera National Preserve



Source:GAO.

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### **Abbreviations**

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| GCCA | Government Corporation Control Act             |
| GPRA | Government Performance and Results Act of 1993 |

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United States Government Accountability Office  
Washington, DC 20548

October 30, 2009

The Honorable Jeff Bingaman  
Chairman  
The Honorable Lisa Murkowski  
Ranking Member  
Committee on Energy and Natural Resources  
United States Senate

The Honorable Nick Rahall, II  
Chairman  
The Honorable Doc Hastings  
Ranking Member  
Committee on Natural Resources  
House of Representatives

In 2000, the Valles Caldera Trust was created by Congress as a 20-year public-private land management experiment, whose aim was to protect and preserve—without the need for continuing infusions of federal tax dollars—a unique volcanic parcel of land in New Mexico. Today, however, nearly halfway through the Trust’s 20-year life span, supporters and critics disagree over whether this public-private model can succeed or should be terminated.

The Valles Caldera Preservation Act of 2000<sup>1</sup> authorized the federal government to purchase Valles Caldera, comprising about 89,000 acres of privately owned land known as the Baca Ranch. The Caldera has served as a model for geological studies of this area and other volcanic areas around the world, and it has had religious significance for Native Americans since prehistoric times. In addition, the landscape offers opportunities for winter and summer recreation and provides ranchers with forage for livestock. To manage the land, for which the government paid close to \$97 million, the Preservation Act also established the Trust, governed by a Board of Trustees, as a wholly owned government corporation.<sup>2</sup> The act specifically charges the Trust with managing the land to achieve a number of goals, including the following:

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<sup>1</sup>Pub. L. No. 106-248, Title I.

<sup>2</sup>Until the Trust could be organized, the preserve came under jurisdiction of the U.S. Forest Service, within the Department of Agriculture.

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- protecting and preserving Valles Caldera’s scientific, scenic, historic, and natural values and archaeological, geological, and cultural resources for future generations;
  - providing opportunities for public recreation;
  - providing for sustained-yield management of the ranch for timber production and domesticated livestock grazing, insofar as these activities are consistent with the Trust’s other responsibilities; and
  - becoming financially self-sustaining—that is, operating without federal funds—within 15 years of the law’s enactment, or by the end of 2015.

In managing the preserve, the Trust is expected to incorporate elements of both public and private administration to promote the preserve’s long-term sustainability. The Trust is subject to the Government Corporation Control Act (GCCA) and to the Government Performance and Results Act of 1993 (GPRA).<sup>3</sup> These two laws provide general authorities for wholly owned government corporations to carry out government functions and a general management framework to enhance the federal government’s efficiency and effectiveness and provide greater accountability for results, respectively. Among other requirements under GCCA, the Trust must obtain independent financial audits and report annually to Congress. Under GPRA, the Trust must prepare a strategic plan with long-term measurable goals and objectives and an annual performance plan for achieving the strategic plan’s goals and objectives, and it must submit annual performance reports to Congress and the President.

From the land’s acquisition in 2000 through fiscal year 2009, the Trust received about \$31 million in federal funding to operate and maintain the land as a national preserve. Under the Preservation Act, the authorization of appropriations for the Trust expires at the end of fiscal year 2015. If at the end of fiscal year 2014, the Board believes that the Trust has met the goals and objectives of the act but has not become financially self-sustaining, the Board may submit to the relevant congressional committees a recommendation to authorize appropriations beyond 2015. Also, under the act, the Trust itself is to terminate in fiscal year 2020. According to the Preservation Act, in 2018 the Board must make a recommendation to the Secretary of Agriculture whether to extend or

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<sup>3</sup>31 U.S.C. § 9101 et seq. (GCCA); Pub. L. No. 103-62 (1993) (GPRA).

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terminate the Trust in 2020. Within 120 days after receipt of the recommendation, the Secretary must submit to Congress the Board's recommendation on extension or termination, along with the Secretary's recommendation. If the Trust is terminated, the preserve will become part of the Santa Fe National Forest and therefore be managed by the U.S. Forest Service, within the Department of Agriculture, as part of the national forest system.

The Preservation Act also directs us to study and report twice on the Trust's activities, including on the Trust's ability to meet its obligations under the act. In November 2005, we issued our first report, which concluded that the Trust had made some progress in meeting goals of the act and recommended that it establish a more effective management control program and increase its accountability to Congress and other stakeholders.<sup>4</sup> The present report, our second and last one required by the Preservation Act, examines (1) the Trust's progress since 2000; (2) the extent to which the Trust has fulfilled certain of its obligations as a government corporation; and (3) the challenges the Trust faces as it continues moving toward fulfilling the goals of the act.

To address these issues, we analyzed documents, financial records, and other information from the Trust and Forest Service, and we visited the preserve to observe the actions the Trust has taken to date toward meeting its statutory obligations. In addition, we analyzed and assessed the Trust's fulfillment of GCCA's and GPRA's requirements. We also interviewed current and former officials of the Trust's Board and staff, as well as Forest Service officials, about the programs and activities that the Trust has initiated since assuming management of the preserve. We interviewed representatives of various local interest groups and stakeholders, such as Los Amigos de Valles Caldera and Caldera Action.<sup>5</sup> We also assessed data related to revenue-generating programs and activities, such as the number of livestock grazing on the preserve from year to year, and determined that

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<sup>4</sup>GAO, *Valles Caldera: Trust Has Made Some Progress but Needs to Do More to Meet Statutory Goals*, [GAO-06-98](#) (Washington, D.C.: Nov. 16, 2005).

<sup>5</sup>Los Amigos de Valles Caldera and Caldera Action are nonprofit organizations interested in the preserve.

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these data were sufficiently reliable for the purposes of this report.<sup>6</sup> We conducted this performance audit from November 2008 through October 2009, in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

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## Background

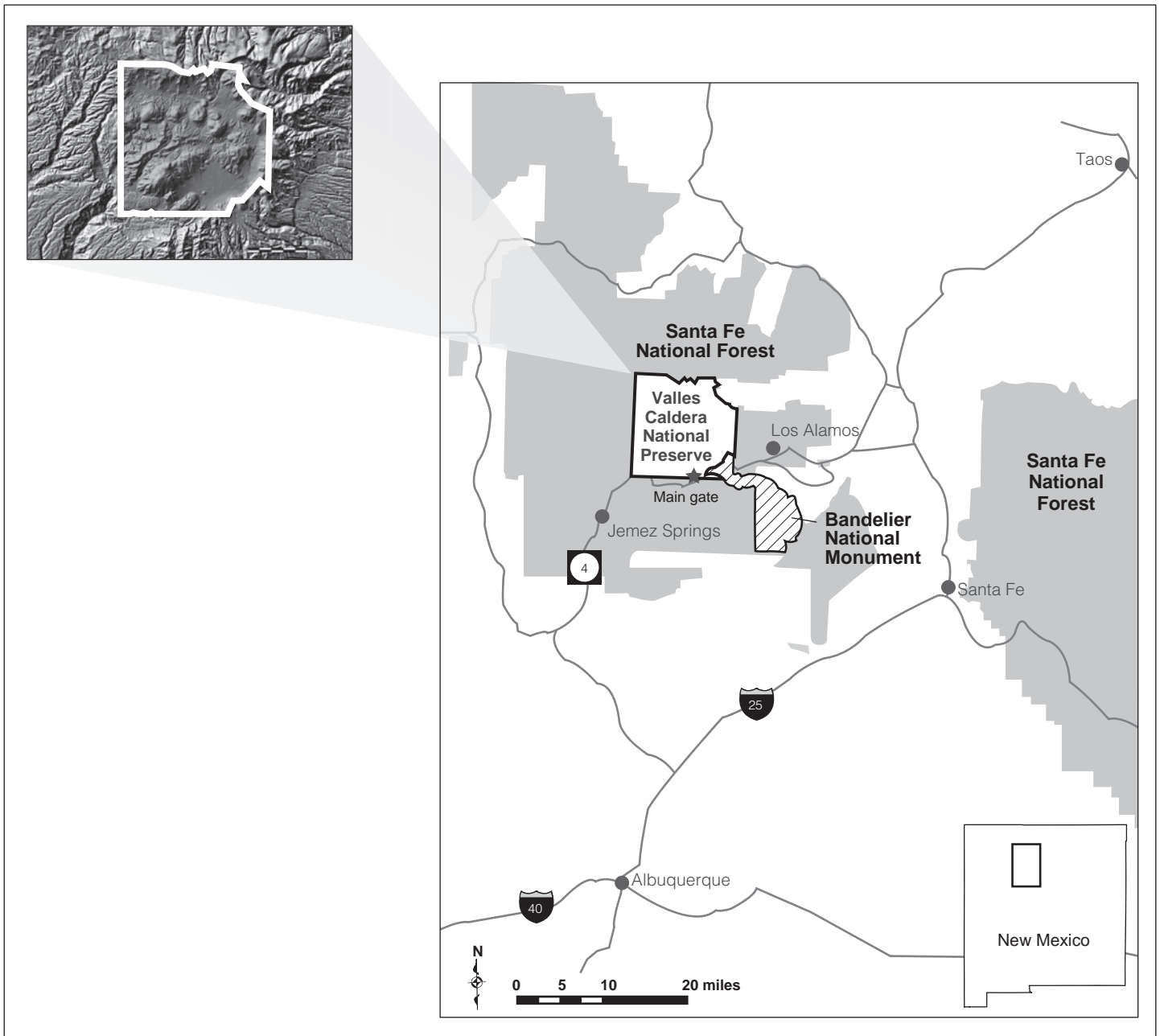
About 1.2 million years ago, a volcano erupted and collapsed inward, forming the crater now known as Valles Caldera, in north-central New Mexico (see fig. 1). Almost entirely surrounded by the Forest Service's Santa Fe National Forest and the National Park Service's Bandelier National Monument, this geologically and ecologically unique area covers about 89,000 acres of meadows, forests, hot springs, volcanic domes, and streams supporting elk herds, fish, and other wildlife. While in private hands, the Baca Ranch was operated as a working ranch, providing grazing for livestock plus hunting and fishing for a limited number of visitors. According to the Preservation Act, the working ranch arrangement was to continue after ownership was assumed by the federal government.

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<sup>6</sup>To determine the number of livestock grazing on the preserve or otherwise managed by the Trust, we compared the Trust's own documents with counts obtained by Agriculture and by owners of livestock participating in the grazing program. For financial data, we compared audited financial statements of the Trust for fiscal years 2005–2008 with data from the Trust's own annual reports.



**Figure 1: Valles Caldera National Preserve, with Valles Caldera Crater, in North-Central New Mexico**



Sources: Valles Caldera Trust (main map and satellite photo); Map Resources (New Mexico).

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The act also calls for the Trust to protect and preserve the land while attempting to achieve a financially self-sustaining operation. “Financially self-sustaining,” as defined by the act, means that management and operating expenditures—including trustees’ expenses; salaries and benefits; administrative, maintenance, and operating costs; and facilities improvements—are to equal or be less than proceeds derived from fees and other receipts for resource use and development. Appropriated funds are not to be considered. To carry out its duties, the Trust has the authority to solicit and accept donations of funds, property, supplies, or services from any private or public entity; negotiate and enter into agreements, leases, contracts, and other arrangements with any individual or federal or private entity; and consult with Indian tribes and pueblos.

The Trust’s Board consists of nine trustees. The President of the United States appoints seven of these trustees, and the other two are the Supervisor of Santa Fe National Forest and the Superintendent of Bandelier National Monument, under the jurisdiction of the Department of the Interior’s National Park Service. Of the seven presidential appointees, who are selected in consultation with New Mexico’s congressional delegation, five must be New Mexico residents. Appointees are to be selected on the basis of their expertise or experience, as follows: one trustee each (1) with livestock and range management expertise; (2) with expertise in recreation management; (3) who is knowledgeable in sustainable management of forest lands for commodity and noncommodity purposes; (4) with expertise in financial management, budget and program analysis, and small business operations; (5) who is familiar with the cultural and natural history of the region; (6) who is active in a nonprofit conservation organization concerned with Forest Service activities; and (7) who is active in state or local government activities in New Mexico, with expertise in the customs of the local area. Trustees are appointed to 4-year terms and can be reappointed; no trustee, however, may serve more than 8 consecutive years. The trustees select a chairman from the Board’s ranks. With the exception of the Board Chair, trustees serve without pay, although they are reimbursed for travel and subsistence expenses while performing their duties. The Board must hold at least three public meetings a year in New Mexico. An executive director, who is hired by the Board, oversees the Trust’s day-to-day operations.

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## The Trust Has Taken Steps to Achieve the Preservation Act's Goals but Has Made Less Progress Than Expected

Although the Trust has taken steps to establish and implement a number of programs and activities to achieve the goals of the Preservation Act, it is behind the schedule it set for itself in 2004. A number of factors, such as high turnover among Board members and key management staff, have contributed to this slow progress, according to former and current Board members and staff.

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## The Trust Took a Number of Steps toward Achieving Preservation Act Goals

As we reported in 2005, the Board's first steps were to establish a basic organization and to acquaint itself with conditions at the preserve.<sup>7</sup> In 2001, the Board held regular meetings and listening sessions with the public and gathered views on how the preserve should be managed. The Board hired its first employee, an executive director, in October 2001 and, in December 2001, issued 10 principles to guide future decision making. These principles focused on a long-term view, emphasizing the ideas of landscape protection, sound business management and good-neighbor relations, the role of science in defining programs, and the quality of experiences to be provided to the public at the preserve. Overall, these principles constituted the Trust's initial philosophy and foundation for the programs and activities that the Trust undertook to fulfill the Preservation Act's goals. The following sections describe some of the Trust's accomplishments.

## The Trust Has Surveyed and Repaired Roads, Buildings, Fences, and Other Infrastructure

Shortly after the federal government assumed ownership of the preserve, the Trust learned that the existing infrastructure—such as roads, buildings, fences, and water treatment facilities—was in disrepair and needed rehabilitation. All the roads needed upgrading, fences were falling down, rodents had invaded all the structures, and the water supply system was not functioning. Work began immediately, and it continues today.

The preserve has about 1,000 miles of roads, including 140 miles of main access roads. Road building into the preserve began in 1935, and by the 1970s, more than 800 miles of logging roads had been bulldozed into high-elevation forests, causing erosion and damaging downhill streams and wetland areas (see fig. 2). On assuming its management role, the Trust determined that the existing roads could not be readily used to support

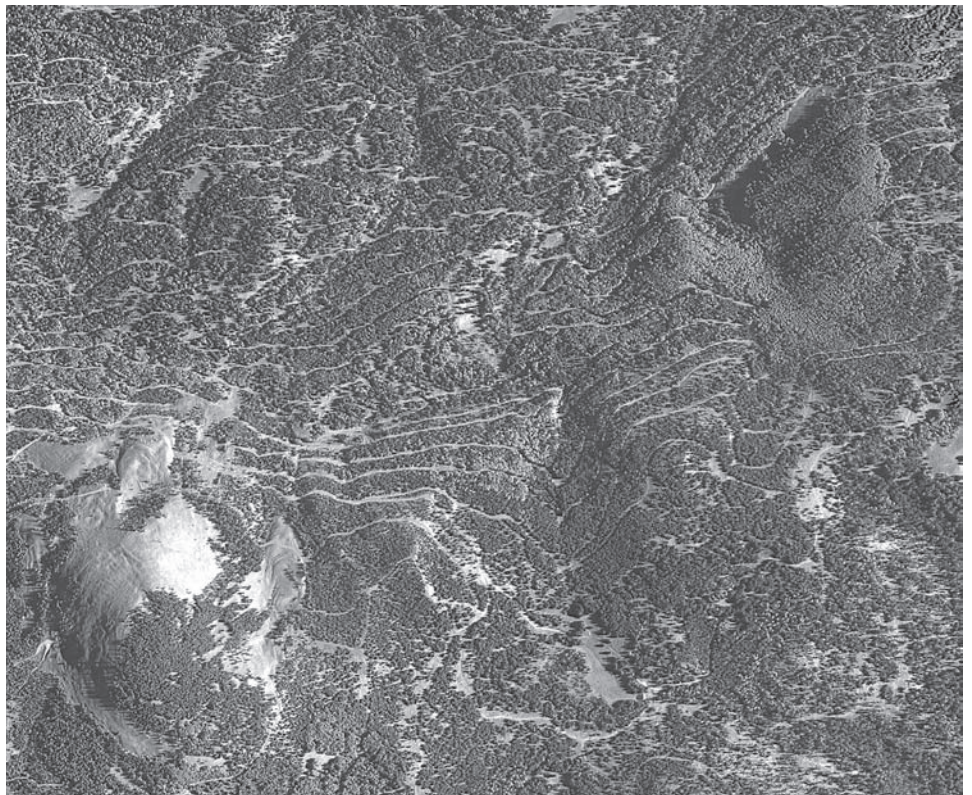
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<sup>7</sup>GAO-06-98.

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administration, ranching, recreation, or other needs. Since then, the Trust has upgraded over 14 miles of road to all-weather gravel standards, so they are usable for passenger vehicles and are not as environmentally damaging. To enhance safety and public viewing of the preserve, the Trust also installed kiosks, scenic turnouts, and a new gate (see fig. 3); in addition, it reconfigured the entry to and exit from New Mexico Highway 4, the main access road to the preserve. The Trust has systematically numbered and mapped a network of about 184 miles of roads, which provide open public access, as well as restricted access for the Trust's land management activities.

**Figure 2: Typical Logging Road System, Redondito Peak, 2005**



Source: Valles Caldera Trust.

**Figure 3: Main Entrance of Valles Caldera Preserve, Before and After Installation of New Gate**



Source: Valles Caldera Trust.  
Before



Source: GAO.  
After

At the time of the federal government’s purchase, the preserve had numerous existing buildings, fences, and other structures. In 2002, the Trust recognized that the majority of its structures needed major restoration to bring them up to local building codes. Over the next 6 years, the Trust conducted minor maintenance on the ranch buildings used to house employees and documented the condition of structures of historic value throughout the preserve (see fig. 4). In addition, the Trust repaired the preserve’s 54 miles of boundary fences—including adjusting their height to allow for elk movement—and installed signs restricting access to the preserve. The Trust also assessed the layout and condition of 64 miles of interior fences, many of which were used to separate pastures for livestock. Other facilities, such as livestock corrals, have also been assessed and rehabilitated, and in 2009 a new temporary visitor building was purchased and placed on site (see fig. 5).



**Figure 4: Original Baca Ranch Owner's Home**



Source: GAO.

**Figure 5: Old and New Temporary Visitor Centers**



Old temporary visitor center

Source: GAO.



New temporary visitor center

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Regarding water supplies, when the federal government acquired the preserve, the existing water treatment facility was not functioning, so no potable water was available. Rehabilitating this facility became one of the Trust's top priorities. Repairs to the water collection and filtration systems were completed in 2004, the water distribution system was repaired in 2005, and potable water became available in spring 2006. Still, the present water supply freezes during the winter and can dry up during the summer; the Trust is therefore evaluating groundwater reserves and options for drilling a well to supply water year-round.

In the end, rehabilitating deteriorating infrastructure has proven to be an expensive and time-consuming endeavor, and the Trust's efforts have not begun to address capital improvements, such as permanent visitor facilities or roads in support of the Preservation Act's goals. Indeed, as of 2008, the Trust still faced nearly \$1.2 million in deferred maintenance costs for existing buildings alone.

#### The Trust Created a Science Program to Lay the Foundation for Activities Allowed at the Preserve

From the time it first articulated the principles by which it would manage Valles Caldera, the Trust viewed science as key to protecting and preserving the land while developing programs that could bring in revenue. It committed to using science in an "adaptive management" framework, by continuously gathering and applying site-specific scientific knowledge. According to the Trust's *Framework and Strategic Guidance for Comprehensive Management*, the chief characteristic of the Trust's view of adaptive management is the monitoring of natural systems and the human activities impinging on those systems, coupled with use of the monitoring information to guide and, when needed, revise management goals and activities.<sup>8</sup> Thus, according to Trust documents, the Trust makes land management decisions on the basis of scientific research and monitoring, taking into account the public's views and federal environmental requirements.

The science program includes three components: inventorying natural resources, monitoring environmental changes resulting from the Trust's programs, and conducting research that will help manage the preserve's resources. Up and running in 2003, this program assists the Trust in complying with federal environmental requirements, including those of the

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<sup>8</sup>Valles Caldera Trust, *Valles Caldera National Preserve: Framework and Strategic Guidance for Comprehensive Management* (Los Alamos, N.Mex., 2005). This document sets out the framework for decision making that the Trust proposed to apply as it developed programs and policies for the management and use of the preserve.

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National Environmental Policy Act of 1969 (NEPA).<sup>9</sup> By 2008, the Trust had assessed or was assessing most of the preserve's natural resources, such as its forests, biodiversity, watershed and stream health, fish habitats, ground water quality, and geology and soils. In inventories of cultural resources, the Trust has also uncovered over 430 historic and archaeological sites. Such inventories will continue to be done as needed before construction projects or other ground disturbance to comply with NEPA guidelines. In addition, to assess the effects of activities such as grazing, recreation, or forest thinning, the Trust has established long-term programs to monitor ecological conditions, including climate, stream water quality, and plant and animal habitat and population dynamics. Finally, in collaboration with universities, federal and state agencies, and other research entities, the Trust has hosted a wide range of research programs, ranging from a study of the ecological drivers of rodent-borne diseases to earth-coring studies of past climate change. For example, hydrological research funded by the National Science Foundation through the University of Arizona is to provide information to aid in the day-to-day management of the preserve and also contribute to the understanding of hydrologic systems overall. This research should help scientists understand how much precipitation the preserve's lands absorb and predict the amount of runoff into its streams and rivers. As more data become available, scientists may be able to forecast the effect of precipitation and drought on water quality and forage availability on the preserve and to use the information to drive future management decisions about livestock and recreation. Each year the Trust has generated between \$1 million and \$2 million of externally funded research.

To further enhance and communicate the results of the science program, the Trust in August 2009 leased a facility in the town of Jemez Springs, 20 miles west of the preserve's main gate, as a new science and education center adjacent to the Trust's administrative headquarters. The facility is to accommodate a laboratory, classrooms, offices, a dining hall, and lodging for visitors participating in the center's formal and informal science education programs for all age groups.

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<sup>9</sup>Under NEPA, federal agencies are to evaluate the likely environmental effects of projects they are proposing, using an environmental assessment or, if the projects likely would significantly affect the environment, a more detailed environmental impact statement. The Trust published its own NEPA procedures in the *Federal Register* in 2003. 68 *Fed. Reg.* 42460-42472 (July 17, 2003).



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Since 2002, the Trust Has Been Experimenting with a Variety of Approaches to Manage Grazing

Given that the Preservation Act requires keeping the preserve as a working ranch, grazing has been a central activity since the Trust began. Over the years, the grazing program's objectives, scope, and size have changed repeatedly, in response to annual scientific assessments of forage availability, as well as shifting directives from the Board. In addition, because the preserve is federal land, continued grazing requires completion of a NEPA environmental assessment. The Trust's ultimate goal is to manage its livestock operations for multiple aims, including revenue generation, local community benefit, research, and public education.

To date, the Trust has experimented with a number of grazing programs, beginning in 2002 with a small drought-relief program that allowed just over 700 cow-calf pairs belonging to local ranchers to graze on preserve pastures for 5 weeks. The Trust also hosted a "conservation stewardship" program for local ranchers, allowing about 200 cattle in each of 2 years to graze on preserve lands for about 4 months while the ranchers implemented conservation measures on their own lands. In addition, the Trust has conducted a breeding program for 3 years to benefit local ranchers and has tested varied cattle management approaches in an attempt to make the program profitable for the Trust. In 2006, because of drought, the Trust switched its focus to research assessing the effects on cattle forage of controlled burning of the grasslands; initial findings suggested that such burning improved forage quality. Then in 2008, the Trust attempted to make a profit from grazing, allowing nearly 2,000 head of cattle to graze at the preserve over a 4-month period and generating about \$58,000 in gross revenues. Because the cattle were brought in from Mexico and were sold in Texas, this effort drew local criticism. Moreover, the sheer number of cattle created conflicts with fishing and other recreational activities. In 2009, the program again took on a research emphasis and aimed to benefit local communities.<sup>10</sup>

The Trust Has Taken a Number of Steps to Manage Its Forests

The preserve's lands encompass more than 60,000 forested acres. When the Trust was first established, these forests were envisioned as a possible source of revenue toward the Preservation Act's purpose of providing for the multiple use and sustained yield of the preserve's renewable

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<sup>10</sup>The focus of research in 2009 was to develop a livestock resistant to high-altitude diseases.

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resources.<sup>11</sup> But the Trust's forest inventory in 2006 revealed a lack of marketable timber, partly because of intensive logging in the past. As a result of this logging and past fire suppression, about half the preserve's forested acres contain dense vegetation that pose a very high risk of wildland fire. To date, therefore, the Trust's forest management efforts have focused on restoring forest health, reducing the risk of large fires, and protecting watersheds. These efforts have also included identifying the most effective means of reducing hazardous fuels and a potential market for the sale of wood products (poles, mulch, pellets), sometimes in collaboration with local businesses.

### The Trust Continues to Expand Recreational Opportunities

Beginning in 2002, the Trust granted the public limited access to the preserve for recreation; in most cases, it has charged a fee for this access. In the beginning, public recreation was confined to guided hikes or van tours. Over the next several years, the Trust allowed varied summer and winter activities, including:

- *Hunting.* The Trust has worked with New Mexico's Department of Game and Fish to hold elk hunts since 2002. In 2008, the Trust added a spring turkey hunt.
- *Fishing.* In 2003, the Trust granted 1,785 people access to the preserve's two fishable streams, on a first-come, first-served basis. The Trust also holds adult and youth fishing clinics. In 2009, it began allowing anglers to drive their own vehicles to parking areas near assigned stream reaches, instead of providing van transportation as in previous years.
- *Hiking.* Visitors have been allowed to hike at the preserve since 2002, first in guided hikes, then on their own. The Trust has increased the number and mileage of available hiking trails, opening about 30 miles of trails to hikers, including 5 miles requiring no fee.

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<sup>11</sup>The Multiple Use and Sustained Yield Act of 1960 defines multiple use to mean "the management of all the various renewable surface resources of the national forests so that they are utilized in the combination that will best meet the needs of the American people." 16 U.S.C. § 531(a). Sustained yield means "the achievement and maintenance in perpetuity of a high-level annual or regular periodic output of the various renewable resources of the national forests without impairment of the productivity of the land." 16 U.S.C. § 531(b).

The Trust Has Taken Its First Steps toward Becoming Financially Self-Sustaining

- *Other recreational activities.* The Trust has also offered horse-drawn wagon rides, sleigh rides, van tours, snowshoeing, cross-country skiing, stargazing lectures, horseback riding, marathon runs, mountain biking, group tours and seminars, workshops, antler collection, and overnight photographic and birding excursions.

In 2006, the Trust also hosted its first free open house, which drew more than 1,400 cars and nearly 4,000 people. The Trust used this event to inform the public about then-current programs and future opportunities and to monitor the effects of so many visitors. Since 2008, the preserve has been open 7 days a week from April through September for summer recreation and events and fewer days the rest of the year to accommodate hunting and winter activities.

The Preservation Act’s findings and purposes section states, among other things, that the Baca Ranch could serve as a model for sustainable land development and use of timber, grazing, and recreation and that management of the ranch through a trust would eventually allow the ranch to become financially self-sustaining. Over its existence, the Trust recognized it had no marketable timber, but it has experimented with a number of grazing options and expanded recreational opportunities. Collectively, from 2005 through 2008,<sup>12</sup> the Trust’s grazing, recreation, and other activities have generated, on average, about \$733,000 in gross revenues per year (see table 1). In comparison, from 2000 through 2009, the Trust received nearly \$31 million in federal funding—an average of about \$3.5 million per year over the time frame.

**Table 1: Gross Revenues by Activity, as Reported by the Trust for Fiscal Years 2005–2008**

| Activity                   | 2005      | 2006      | 2007      | 2008      |
|----------------------------|-----------|-----------|-----------|-----------|
| Hunting                    | \$285,625 | \$317,365 | \$330,276 | \$368,776 |
| Fishing                    | 71,645    | 60,415    | 67,392    | 68,913    |
| Grazing <sup>a</sup>       | 39,654    | 0         | 5,800     | 58,584    |
| Concessions                | 9,558     | 48,496    | 42,513    | 54,743    |
| Summer recreation          | 15,600    | 22,027    | 25,800    | 45,811    |
| Miscellaneous <sup>b</sup> | 131,288   | 246,817   | 183,058   | 43,091    |

<sup>12</sup>We omitted data for 2002, 2003, and 2004 because fewer revenue-generating recreational activities were under way in those years.

| Activity          | 2005             | 2006             | 2007             | 2008             |
|-------------------|------------------|------------------|------------------|------------------|
| Special events    | 67,646           | 38,719           | 42,439           | 40,425           |
| Facility rentals  | 5,000            | 45,095           | 30,210           | 36,015           |
| Winter recreation | 26,203           | 15,910           | 22,469           | 19,170           |
| <b>Total</b>      | <b>\$652,219</b> | <b>\$794,844</b> | <b>\$749,957</b> | <b>\$735,528</b> |

Source: Valles Caldera Trust.

<sup>a</sup>The Trust did not have a revenue-generating grazing program in 2006 because of drought.

<sup>b</sup>Miscellaneous revenues include donations; sale of livestock; interest on investments; and grants received by the Trust for inventory, monitoring, research, and restoration projects.

Faced with average gross revenues amounting to about 20 percent of average federal funding, the Board of Trustees contracted with an independent consulting firm in 2008 to develop a revenue enhancement study aimed at realizing annual revenues of about \$5 million.<sup>13</sup> Made public in April 2009, this document details various options for generating revenues of this scale and bringing the Trust to financially self-sustaining status by the end of fiscal year 2015. These options include high-end elements such as a luxury lodge, as well as more modest elements such as tent camps. The options could be mixed and matched to produce a plan that the Trust could use as it decides how to further develop infrastructure and public programs at the preserve. According to the Trust, many of the options described in this document are to be incorporated into the alternatives the Trust is evaluating in preparing the environmental analyses called for by NEPA before it can provide for greater public access and use of the preserve.

## The Trust Is Behind Its Own Schedule to Achieve the Goals of the Act in 2015

The Trust has not met the timeline that it set for itself to meet the Preservation Act's goals, as outlined in a required report to Congress in 2004. The timeline called for achieving financially self-sustaining status in three phases over 15 years, a schedule reiterated in the Trust's 2005 *Framework and Strategic Guidance*.<sup>14</sup>

- *Phase 1, institution building*, was to take place from 2001 through 2005. During this phase, the Trust was to develop the staff and tools needed to manage the preserve as a wholly owned government corporation, including accounting systems and support mechanisms for its science-

<sup>13</sup>Entrix, *A Plan for Revenue Enhancement on the Valles Caldera Preserve: Opportunities and Alternatives* (Vancouver, Wash., 2009).

<sup>14</sup>Valles Caldera Trust, *Framework and Strategic Guidance*, appendix B.

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based adaptive management approach. No new roads or facilities were to be constructed during phase 1; rather, all public programs were to use existing infrastructure and temporary buildings and would therefore not require a full environmental assessment or environmental impact statement under NEPA.

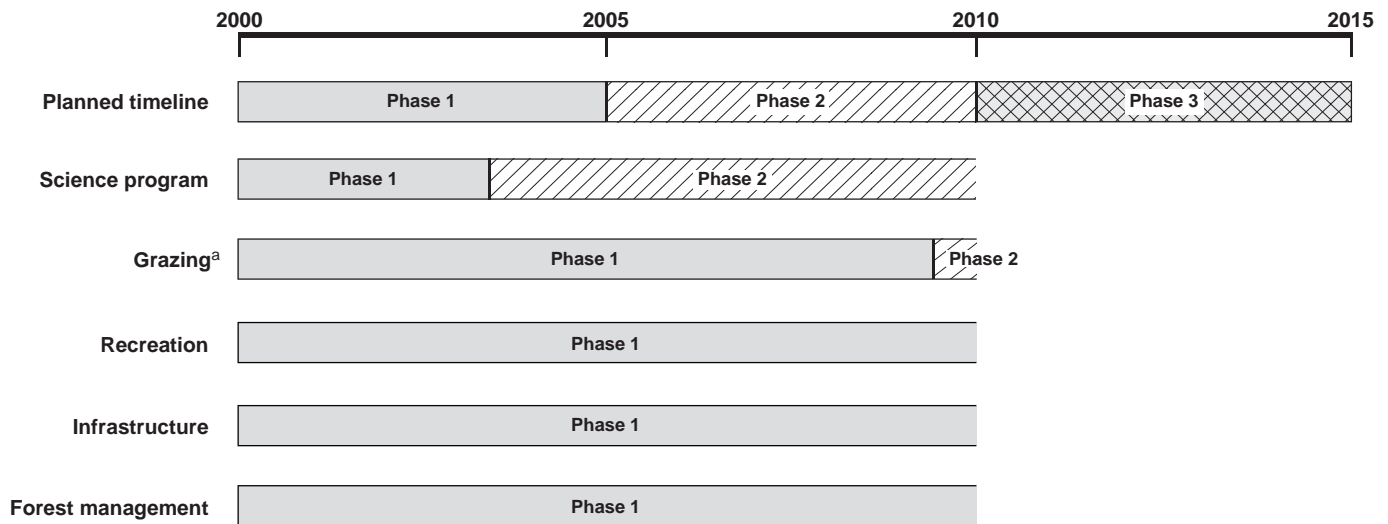
- *Phase 2, program development*, was to take place from 2005 through 2010. During phase 2, the Trust envisioned completing NEPA analyses for major infrastructure projects and beginning construction for an array of programs, such as an integrated road and trails system, an interpretive center, and a science and education facility.
- *Phase 3, program refinement*, was to unfold from 2010 through 2015. During phase 3, the Trust planned to cultivate additional sources of funds and streamline programs to permit decreasing reliance on federal appropriations as revenue-generating programs expanded. It was believed that the experience gained in the prior phases would enable the Trust to increase revenues and decrease costs in time to be self-sustaining by the end of fiscal year 2015.

As of September 2009, only the science and grazing programs at the preserve have moved into phase 2 of the Trust's envisioned timeline. The Trust's publication in 2003 of its own NEPA regulations and its adaptive management framework marked the passage of the science program into phase 2. With completion of a forage environmental assessment in January 2009, the grazing program moved into phase 2.<sup>15</sup> For recreation and associated infrastructure development to move into phase 2, a public use and access plan including NEPA compliance—which is due in mid-2010—must be completed. For the Trust's forest management program, too, a NEPA analysis will have to be done to move into phase 2. Thus, at the close of fiscal year 2009, the Trust continued to work mostly on phase 1 of its programs and activities—at least 5 years behind its anticipated schedule (see fig. 6).

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<sup>15</sup>In 2009, the Trust renamed its grazing program "livestock operation."

**Figure 6: Planned Timeline and Actual Status of the Valles Caldera Trust’s Program Development**



Source: GAO analysis of Valles Caldera Trust data.

<sup>a</sup>Grazing was renamed “livestock operation” in 2009.

### A Number of Factors Have Delayed the Trust’s Progress

Current and previous Trust Board and staff members have all identified certain factors as contributing most significantly to delays in the Trust’s progress. Key among these factors is high turnover among Board members. Under the Preservation Act, at least three Board positions are up for appointment every 2 years. In addition, members may resign for personal reasons before completing their term of appointment, and the two *ex officio* Board members from the Forest Service and the Park Service may change according to how they are assigned within their own agencies. A time lag—ranging from 2 to 9 months—inevitably occurs between the end of some members’ terms and the beginning of others’. Thus, it can take months before a full Board is seated once again. New members face a learning curve. The result of such frequent turnover has led to delays in decision making, as well as false starts to programs. For example, an environmental assessment that needed to be completed before permanent livestock operations could be put in place was restarted three times before it was finally completed in 2009, largely because of Board turnover.

The Trust has also experienced high turnover among key management staff. Within its first 7 years, nine people served as acting executive director or executive director; the most recent executive director reported for duty in January 2009. The chief administrative officer position also

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turned over four times. In addition, the position of communications manager—key to the Trust’s obligation to communicate and collaborate with the public—remained vacant for 3 years, until 2009. Among the Trust’s key management staff, only the preserve general manager, who is responsible primarily for the preserve’s natural resources, infrastructure, and recreational programs, and the preserve science and education director, who is responsible for and has developed the science and education programs, have been with the Trust since they were first hired, in 2002 and 2003, respectively.

In addition, according to the Trust’s Board and staff, they discovered upon assuming their responsibilities that the preserve’s cultural and natural resources and infrastructure were not as healthy or robust as they had expected or as described in the opening to the Preservation Act. For example, road building and timber cutting in high-elevation forests had been done since the early 1930s, and streamside and other areas had been damaged by logging roads and overgrazing. Forests clear-cut in the 1960s and 1970s had been replaced by dense stands of young trees that provide little marketable timber and present a wildland fire hazard. Further, the act directed the Trust to open the preserve for public recreation within 2 years after the federal government purchased the land. As a result, the Trust found itself with more ecological restoration and infrastructure rehabilitation to do than expected—even while providing public access to the preserve—almost immediately after it assumed active management of the land in August 2002.

Finally, almost everyone we interviewed observed that one or more of the foregoing factors contributed to the Trust’s inability to focus on establishing itself as a fully functioning government corporation, which in turn exacerbated the effects of Board and staff turnover. Ultimately, these shortcomings raised serious concerns among interest groups and the public about whether the Trust could successfully manage the preserve in the manner envisioned by the Preservation Act.

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## The Trust Has Failed to Put in Place Key Elements of an Effective Management Program

As of September 2009, the Trust had yet to develop and put in place several key elements of an effective management control program for a government corporation, as required under GPRA and as we recommended in our previous report.<sup>16</sup> Specifically, the Trust had not clearly defined a long-term strategic plan, developed annual performance plans, or systematically monitored and reported its progress. Additionally, the Trust's financial management has been weak. Consequently, it has been difficult for Congress and the public to understand the Trust's long-term goals and objectives, annual plans and performance, or progress.

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## As a Government Corporation, the Trust Is Required to Have Effective Management Controls

For government agencies and corporations, GPRA and GCCA specify the means to achieve an effective management control program. That is, they establish a framework for government entities to provide reasonable assurance that an organization's operations are effective and efficient, that its financial reporting is reliable, and that the organization is complying with applicable laws and regulations. This framework includes, among other components, (1) a strategic plan with long-term, measurable goals and objectives; (2) annual performance plans for achieving the strategic plan's goals and objectives; (3) performance monitoring and reporting; and (4) annual management reviews and financial audits. Such plans, methods, and procedures are collectively known as internal, or management, controls.

Under GPRA, a federal agency is required to develop a strategic plan that covers a period of at least 5 years, to be updated every 3 years, and includes the agency's mission statement, identifies its long-term strategic goals and objectives, describes strategies to achieve those goals and objectives, explains the relationship between long-term and annual goals, analyzes key external factors, and specifies how and when program evaluations will be conducted. GPRA further requires each agency to submit an annual performance plan, which must establish performance goals that link the goals of the agency's strategic plan directly with managers' and employees' day-to-day activities. In essence, this plan is to set forth the yearly performance goals the agency will use to gauge progress toward the strategic goals, identifies performance measures the agency will use to assess its progress, explains the procedures the agency will use to verify and validate its performance data, and ties these goals and measures with the processes and resources the agency will use to

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<sup>16</sup>GAO-06-98.



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meet performance goals. In addition, GPRA requires agencies to report each year, usually to the President and Congress, on program performance for the previous fiscal year. This annual performance report should describe the performance indicators established in the agency's annual performance plan and the actual program performance achieved compared with the performance goals. It should also explain why a performance goal has not been met and set forth plans for achieving it. Finally, the plan should also summarize the year's program evaluations and findings. Key steps and critical practices for GPRA implementation include involving stakeholders in defining missions, plans, and outcomes; producing key results-oriented performance measures at each level of the agency or organization; and using the results of measuring past performance to inform future planning.

Under GCCA, a government corporation must submit annual management reports to Congress, including statements of financial position, operations, and cash flow; a budget report reconciliation;<sup>17</sup> a report summarizing the results of an annual financial audit; and other information about operations and financial status. GCCA also requires that the corporation's financial statements be independently audited in accordance with generally accepted government auditing standards.

Finally, under the Preservation Act, the Trust is required to report annually to Congress on its activities. These reports are to be "comprehensive and detailed report[s] of [the Trust's] operations, activities, and accomplishments for the prior year, including information on the status of ecological, cultural, and financial resources . . . and benefits provided by the Preserve to local communities" and "shall also include a section that describes the Trust's goals for the current year."<sup>18</sup> The law also requires preparation of an annual budget.

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## The Trust Lacks a Strategic Plan

We reported in 2005 that the Trust lacked a GPRA-compliant strategic plan and recommended that it develop such a plan. Although the Trust agreed with our recommendation, it still did not have a plan in place as of September 2009. The Trust has, however, produced two documents (one of them in response to a previous recommendation from us) that offer

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<sup>17</sup>Among other things, a budget report reconciliation essentially reconciles actual expenditures with budgeted amounts.

<sup>18</sup>Pub. Law No. 106-248, Title I, § 106(e)(2).

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some strategic guidance, although neither of these meets GPRA requirements or was used as a formal strategic plan. The first guidance document was the 2005 *Framework and Strategic Guidance for Comprehensive Management*, which presents the values and vision the Trust was to apply in making management decisions. The document articulates the Trust's commitment to the various goals of the Preservation Act, including operating the preserve as a working ranch according to principles of science-based adaptive management, striving toward financial self-sufficiency, and making the preserve accessible to visitors. As we observed in our 2005 report, the 187-page document describes, among other things, the preserve's history and natural features; the Trust's approach to decision making; and public involvement at the preserve, including a range of potential public uses, from hunting and fishing to hiking and camping.<sup>19</sup>

The second Trust document that contains some elements of a strategic plan was prepared in response to our recommendation in 2005 that the Trust develop strategic and annual performance plans. Issued in November 2006, this 7-page document includes a mission statement that echoes some of the goals in the Preservation Act:

The mission of the Valles Caldera Trust is to operate the preserve as a working ranch; to become financially self-sustaining; to meet the varied needs of visitors; to utilize and steward the multiple resources of the preserve; and to work collaboratively with our neighbors.

The document also outlines six goals—which the Trust labeled alternately as “actions” or “near-term goals”—each accompanied by a desired outcome, objectives, strategies or actions, and metrics. For example, one of the six near-term goals is to evaluate existing facilities and identify needs for additional infrastructure; eight strategies and actions are given for achieving the objectives for that goal. The desired outcome is “identification of essential infrastructure” to support operations and “achievement of financial self-sustainability,” and one of the objectives is to improve the entrance to the preserve and visitor service center. To fulfill this objective, the document states that the Trust will engage a contractor to design and improve the preserve's entrance and gives as the metric for measuring progress the completion of a new preserve entrance during fiscal year 2007.

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<sup>19</sup> [GAO-06-98](#).

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Both the 2005 and 2006 documents fall short of GPRA’s requirements for effective strategic planning in a number of respects. For example, despite its broad and philosophical articulation of the Trust’s guiding principles—essentially, the Trust’s vision and mission—the 2005 *Framework and Strategic Guidance* does not meet GPRA’s requirements for a formal and detailed strategic plan. Indeed, title aside, this document never claims to be a formal strategic plan. In its own words, the document does “not intend to present a blueprint for future management of the preserve” but rather to sketch “the range of possible programs the Trust will consider implementing in pursuit of [the Trust’s land stewardship] goals.”<sup>20</sup> Likewise, although the 2006 “Strategic Planning Document” combines elements of strategic planning (mission statement, goals, and objectives) with elements of annual performance plans (actions and metrics), it does not cover a 5-year period, has not been updated, does not explain the relationship between long-term and annual goals, does not analyze key external factors, and does not specify how and when program evaluations are to be conducted. Furthermore, according to Trust officials and senior staff, the document was drafted and approved by the Trust’s Board without benefit of guidance or assistance from stakeholders, such as Congress and the public, as expected under GPRA; neither did the Board specifically instruct the staff to implement the actions or monitor the metrics. By failing to develop a strategic plan from the beginning of its operation of the preserve in 2002, as well as failing to craft and adopt a formal strategic plan later, the Trust lost an opportunity to move forward systematically as an institution—independent of personnel turnover in either the Board or staff—toward meeting the Preservation Act’s goals. In September 2009, recognizing the value of better strategic planning, Trust officials told us they were planning to work to develop a GPRA-compliant plan with an outside consultant experienced in developing strategic plans for federal agencies.

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### The Trust Has Not Fully Met the Requirements for Performance Planning, Monitoring, or Reporting

Since its beginning, the Trust has failed to fully meet GPRA’s annual performance planning, monitoring, or reporting requirements. The Trust has not put together formal annual performance plans containing either specific performance goals for the next fiscal year—goals tied directly to any strategic goals stated in the 2005 *Framework and Strategic Guidance* or November 2006 strategic planning document—or any performance measures or related information for monitoring its progress. Under GPRA,

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<sup>20</sup>Valles Caldera Trust, *Framework and Strategic Guidance*, 101, 11.

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an annual performance plan must establish yearly performance goals linked to long-term goals of a strategic plan; identify performance measures that will be used to gauge progress toward meeting long-term strategic goals; explain the methods to be used for validating and verifying performance data; and link the goals and measures with the processes and resources, such as staffing and funding, that will be used to meet the performance goals. The only documents that the Trust has produced to date that begin to address these requirements are its 2006 strategic planning document and fiscal year 2008 annual report to Congress. While not labeled an annual performance plan, the 2006 strategic planning document does identify “near-term” (performance) goals and metrics (performance measures) for fiscal year 2007, as well as for fiscal years 2008 and 2009. These goals and metrics, however, are not linked to any long-term strategic goal, as required by GPRA, nor does the planning document meet other GPRA requirements for annual performance plans. In addition, although the Trust’s fiscal year 2008 annual report to Congress identifies goals for the upcoming 2009 fiscal year, along with metrics, neither the goals nor the metrics are linked to any long-term strategic goal or strategy for achieving such a goal. Neither are other requirements for annual performance plans addressed in this annual report. Although the Trust’s fiscal year 2007 annual report identifies 2008 performance goals, without metrics, annual reports before 2007 do not identify either performance goals or metrics for the next fiscal year.

In monitoring its performance, the Trust has not established or monitored a stable set of quantitative indicators of progress over time. In its annual reports to Congress, the Trust summarized the past year’s accomplishments and mentioned its intentions for the future, sometimes quantitatively but more often qualitatively. For example, an early two-page report for fiscal year 2004 lists as one preserve goal to “manage public use, access to and the occupancy of the preserve” and notes an accomplishment under this goal as completing a road inventory of 76 miles. The Trust’s plan, as stated, was to use this inventory to develop a transportation plan that was to begin in fiscal year 2007 and be completed in fiscal year 2008; development of this plan was labeled very high priority. But no methods or indicators for tracking the progress of this transportation plan were given. Moreover, although the transportation plan was supposed to begin in 2007 and be completed by 2008, reference to the plan in the Trust’s 2007 annual report to Congress is essentially identical to the wording in its 2006 annual report, and to date, no

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transportation plan has been developed.<sup>21</sup> Similarly, for the Preservation Act's goal of achieving financially self-sustaining operations, the Trust's plan as stated in its 2004 annual report says only that it will implement financially sound business practices, develop and implement a business plan incorporating an annual budget tied to a plan of work for 5 years, and revise this business plan annually; again, the assigned priority is "very high." Nevertheless, our review of Trust documents found that progress toward implementing these very high-priority plans was not formally monitored, nor were the plans fully executed. In fact, the 2005 annual report copies the wording of the 2004 report with respect to development of a business plan, the 2006 annual report makes no mention of a business plan, and the 2007 annual report lists developing a strategic business plan as one of its goals for 2008.

Because it has not developed annual performance plans with performance goals, the Trust has not produced formal annual performance reports as required by GPRA. Since 2006, however, annual reports required by the Preservation Act, as well as a 5-year *State of the Preserve* report released in 2007, detail the Trust's operations, activities, and prior year's accomplishments, including the status of the preserve's natural, cultural, and financial resources and benefits to local communities.<sup>22</sup> While the Trust's annual reports before 2006 did not address all these elements, the reports have improved over the years, becoming more detailed and comprehensive. The most recent annual report, for fiscal year 2008, contains major sections devoted to attainment of fiscal year 2008 goals; Trust organization, program accomplishments, and budget; and goals for fiscal year 2009. Each section on fiscal year 2008 goals attained (e.g., develop a strategic business plan)

- states the goal's objective (e.g., "to create a business plan that identifies options to generate revenues from programs");
- gives the status of progress (e.g., the Trust awarded a contract to a consulting firm to develop this business plan); and
- offers a brief narrative related to the goal.

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<sup>21</sup>The Trust's November 2006 strategic planning document revised the deadline for completing the transportation plan to fiscal year 2009.

<sup>22</sup>Valles Caldera Trust, *State of the Preserve 2002–2007* (Jemez Springs, N.Mex., 2007).

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With respect to goals for 2009, the report states each goal along with a statement of its objective, metric for measuring progress, and related narrative. This annual report and previous ones do not, however, report on the status of current year goals that were *not* attained or link back to a long-term strategy.

The evolution of the Trust's reports suggests a growing understanding within the organization of the need for key management elements, such as strategic goals, annual performance goals and plans, and measurable performance indicators. Our review of the annual reports nevertheless revealed a lack of consistency in report format, organization, and content from year to year, particularly in relation to measurable indicators of progress. For example, before 2007 the Trust counted and reported only the number of paying visitors to the preserve. In 2007, however, it began to include nonpaying visitors in visitor counts—a key change for understanding the growth in Trust programs. Yet this change in data collection was never explicitly pointed out in the 2007 annual report. Furthermore, given the absence of links in any of these reports directly to metrics listed in the Trust's November 2006 strategic planning document, it is difficult to follow the progress of one year's "plan" through subsequent years or to systematically track the Trust's progress toward accomplishing the Preservation Act's overarching goals.

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## The Trust's Financial Management Has Been Weak

Compounding the absence of systematic strategic planning and routine performance planning, monitoring, and reporting, the Trust's financial management has suffered from varied and numerous weaknesses. From when the Trust first took over management of the preserve through fiscal year 2003, the Trust's finances were administered by the Forest Service. At the beginning of fiscal year 2004, the Trust briefly attempted to do its own accounting in house. When this attempt failed, however, partly because of turnover in accounting staff, it shifted these functions to the Department of the Interior's National Business Center, which provided accounting services from fiscal year 2004 until fiscal year 2008. At the start of fiscal year 2008, the Trust once again moved its accounting operations, to the Forest Service's Albuquerque Service Center, so as to bring its finances

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under a single, integrated financial management system and to reduce costs.<sup>23</sup>

In part because of poor financial management and accounting practices, inadequate records, and difficulties in hiring and retaining accounting staff, until 2007 the Trust could not produce financial statements that would have enabled it to fulfill its obligation to undergo an annual independent audit, as required by GCCA. As we reported in 2005, the Trust contracted in 2003 with an independent accounting firm for auditing services, but the firm recommended that the audit be postponed because the Trust lacked the financial policies, procedures, and records needed to produce auditable financial statements. It took several years for the Trust to reconstruct its financial transactions and prepare any auditable statements. At the end of 2007, an independent auditing firm was contracted. The firm completed its work in 2009, producing independent auditor's reports for fiscal years 2005 through 2008.

The auditor's reports found numerous weaknesses in the Trust's accounting, management control, and compliance with applicable laws and regulations. For example, the audit report for fiscal year 2008 found "material weaknesses" and "significant deficiencies" ranging from a lack of documented policies and procedures to the lack of a secure information technology system and failure to properly process cash and check payments.<sup>24</sup> Consequently, according to the auditor's report, decisions made by the Trust on the basis of deficient information could themselves be inaccurate or misleading. Moreover, because the Trust had not identified such deficiencies, it could not and did not report them to Congress. Among its other findings, this report also confirmed the lack of performance goals and objectives in compliance with GPRA requirements.

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<sup>23</sup>According to the Board, moving accounting services for the Trust back to the Forest Service has achieved annual cost savings of about \$225,000 over the cost of using Interior's system.

<sup>24</sup>A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statement that is more than inconsequential will not be prevented or detected. A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis.

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The audit reports for all the audited fiscal years thus cast considerable doubt on the accuracy and completeness of the Trust's annual or other reports to date and its degree of compliance with applicable laws.

As a result of the auditor's reports, the Trust has made an effort to improve its management control framework. In July 2009, for example, the Trust asked the Albuquerque Service Center to conduct an "internal control assessment" of the Trust's operations, which the center had begun to do as of the end of fiscal year 2009. Once completed, this assessment could help improve the Trust's management controls.

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## The Trust Sees Becoming a Self- Sustaining Entity as Its Greatest Challenge

In managing a remote, undeveloped expanse of public land under the public-private experiment created by the Preservation Act, the Trust is breaking new ground. In accordance with the act's goals, the Trust is responsible for preserving and protecting the preserve's resources while generating revenues from these resources. The long-term vision articulated in the Preservation Act is for the Trust to become a self-sustaining entity, without need for federal funding. Yet the current Board chairman and the Trust's executive director believe that, of all the goals for the foreseeable future, becoming financially self-sustaining is the most challenging. A consensus among Board members is that the Trust will not become financially self-sustaining by the end of fiscal year 2015 as envisioned by the Preservation Act; a few within the Trust doubt that this goal can ever be achieved. In particular, as for other multiple-use land management agencies, a daunting corollary to the Trust's mission is how to balance managing the land to produce a sustained yield of revenue-generating resources with preserving and protecting those resources and other natural and cultural values of the preserve. Others external to the Trust, such as Los Amigos de Valles Caldera and Caldera Action, have expressed similar views about the Trust's ability to become financially self-sustaining. Nevertheless, the Trust is continuing to explore opportunities for becoming financially self-sustaining.

As of the end of fiscal year 2009—nearly halfway through the 20-year public-private land management experiment and about 6 years before the authorization for Trust appropriations expires—the Trust had only begun to focus on the goal of becoming financially self-sustaining. A number of issues—such as its remaining life expectancy, activities capable of providing sufficient revenues, funds for needed key capital investments, and legal issues—present significant challenges to achievement of this goal. These challenges include the following:



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- *Completing key steps to becoming financially self-sustaining in the time remaining* before the end of fiscal year 2015, when the current authorization of appropriations expires. If the Trust is not well on its way toward becoming financially self-sustaining by the end of fiscal year 2015, the Trust may or may not have the funds to continue operating, regardless of how much or how little progress it has made on its various land management and recreation programs. Yet within the 6 years from the beginning of fiscal year 2010 to the end of fiscal year 2015, the Trust must develop a public use and access plan, including an environmental impact statement and an associated transportation plan; secure funding to implement these plans; begin and complete construction; and then begin operating the programs to generate revenues. All these activities could well take longer than 6 years.
  - *Identifying, developing, or expanding revenue-generating activities* that would enable the Trust to raise sufficient funds to become financially self-sustaining. To date, several anticipated sources of revenue have not materialized or have not materialized to the degree anticipated. For example, the vision of timber production as a major source of revenue disappeared when an inventory of the preserve's timber resources revealed that few to no trees of commercial value remained after clear-cutting in the mid-twentieth century. Both current and former Trust officials noted that many of the forested areas are more a liability than an asset to the Trust because they are covered with dense vegetation that could fuel large wildland fires. Recreation, too, failed to prosper as expected. The Trust had anticipated holding luxury elk hunts to provide a major source of future revenue and, in 2008, sought state legislation to allow these hunts. The proposal received public criticism, however, and the legislation failed. In addition, the Trust's several years of experimenting with various approaches to grazing has led to the realization that grazing will not make as much money as anticipated.
  - *Obtaining funding for major capital investments* to construct and preserve facilities and other infrastructure needed to generate revenues. The 2009 revenue enhancement study commissioned by the Trust estimated that somewhere between \$21 million and \$53 million would be needed to further develop the facilities and infrastructure to support greater public use of the preserve, such as additional parking lots and further road upgrades, a visitor center, an educational research center, and a visitor lodge. Yet neither the revenues the Trust has generated to date through any of its programs nor current appropriations are sufficient to make such investments.

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- *Legal constraints.* The Trust faces several legal constraints that may affect its ability to achieve financially self-sustaining operations, according to Trust officials. Provisions of the Preservation Act—specifically, that the Trust expires in 2020 and that it is prohibited from entering into leases lasting longer than 10 years—limit the Trust’s ability to attract concessionaires or other enterprises desiring to establish long-term businesses on the preserve that could generate revenue for the Trust. Another question facing the Trust, according to Trust officials, is what authority it has to borrow and lend money. Trust officials said that Agriculture’s General Counsel told them that the Preservation Act does not specifically address this question. The Trust recently learned it has no authority to borrow money from the Federal Financing Bank, whose purpose is to make loans to government corporations. Trust officials also raised concerns about the Trust’s authority to purchase property outside the preserve or to construct new buildings inside the preserve. In addition, the Trust has expressed concern about not having access to the federal “judgment fund”—a permanent indefinite appropriation available to federal agencies under certain circumstances to satisfy judgments against them—to cover liability incidents such as hunting accidents. According to a Senate committee report on a 2004 bill amending the Preservation Act, the Department of Justice opposed a provision of the bill that would have provided the Trust access to the judgment fund.<sup>25</sup> The Trust is paying over \$80,000 annually for liability insurance.

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## Conclusions

Nine years have passed since the federal government purchased Valles Caldera, and 11 years remain before the Valles Caldera Trust could, under the Preservation Act, come under Forest Service jurisdiction if it fails to become financially self-sustaining. The ultimate success of the Valles Caldera land management experiment hinges on the Trust’s ability to become a fully functioning, financially self-sustaining government corporation while simultaneously preserving and protecting the land’s natural, cultural, and recreational values. We acknowledge that achieving

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<sup>25</sup> According to this Senate committee report, the Department of Justice opposed the provision that would have made the Trust eligible to pay claims, judgments, and settlements from the judgment fund. In general, according to an administration statement contained in the Senate report, government corporations like the Trust should pay judgments and settlements out of their own funds. The administration stated that because the Trust is an autonomous corporation with its own funds and an entity whose liabilities are properly charged to corporate funds, it is appropriate for the Trust to continue to satisfy judgments and settlements against it out of Trust funds. S. Rep. No. 108-269 at 6 (2004).

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such a mission is no easy task, and we recognize that the Trust continues to work toward achieving these goals. Nevertheless, the Trust has struggled for nearly a decade to establish the basic framework for effective management required of government corporations, it has not maintained the pace of progress it set for itself, and it faces a number of legal constraints. Thus, it is uncertain whether the Trust can overcome its management and legal challenges and, as many Board and management officials of the Trust have also noted, whether it can achieve financially self-sustaining status by the Preservation Act's 2015 deadline. We believe that our previous recommendations, if implemented, could substantially enhance the Trust's ability to make greater progress toward meeting the goals of the act, as well as to improve management oversight, accountability, and transparency under GCCA and GPRA. We therefore reiterate the need for the Trust to fully implement recommendations from our 2005 report, specifically, continue to develop—and systematically implement—the following elements of effective management:

- a formal strategic plan that includes measurable goals and objectives;
- a plan, including planned timelines, for becoming financially self-sustaining; and
- mechanisms for periodic monitoring and reporting of the Trust's performance to Congress and other stakeholders.

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## Recommendation for Executive Action

To help further the Trust's efforts toward becoming a financially self-sustaining government corporation, we recommend that the Trust's Chairman of the Board and Executive Director work with the relevant congressional committees to seek legislative remedies, as appropriate, for the legal challenges confronting the Trust.

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## Agency Comments and Our Evaluation

We provided the Valles Caldera Board of Trustees with a draft of this report for review and comment. The Board generally agreed with our findings and conclusions but did not comment on our recommendation. In its written comments, the Trust said it found our assessment of its accomplishments to date accurate, although it provided additional details about infrastructure, forestry work, the livestock program, and science and education. In addition, the Board agreed with our finding that the Trust has failed to put in place an effective management program, saying "there is no excuse for these plans and controls to be lacking" and "top

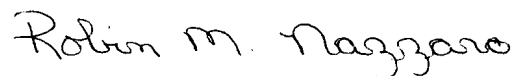
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priority will be given to reaching prompt compliance with the law.” The Board also noted that we aptly described the current and future challenges the Trust is facing and stated that financial self-sustainment by 2015 is not a possibility under the current provisions of the Preservation Act. Without agreeing or disagreeing with our recommendation that the Trust work with Congress to seek legislative remedies for its legal challenges, the Trust stated that changes to the law are needed.

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We are sending copies of this report to the Board Chairman, Valles Caldera Trust and other interested parties. In addition, the report will be available at no charge on the GAO Web site at <http://www.gao.gov>.

If you or your staff members have any questions about this report, please contact me at (202) 512-3841 or [nazzaror@gao.gov](mailto:nazzaror@gao.gov). Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this report. GAO staff who made major contributions to this report are listed in appendix II.



Robin M. Nazzaro  
Director, Natural Resources and Environment

# Appendix I: Comments from the Valles Caldera Trust



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Date: October 9, 2009  
File Code:ADMIN6

Robin M. Nazzaro  
Government Accountability Office  
441 G Street NW  
Washington, DC 20548

Dear Ms. Nazzaro:

Valles Caldera Trust (VCT) is in receipt of your audit draft report and the Trustees and staff are most appreciative of the opportunity to submit a response to the GAO on this second audit performed as prescribed in the Valles Caldera Preservation Act.

Your draft addresses the audit formatted into three sections and we will follow this format for comments:

1. Accomplishments to date
2. Key elements for an effective management program
3. Current and future challenges

#### **ACCOMPLISHMENTS TO DATE**

We find your assessment to be accurate but would like to make additional comments in some operational areas.

Regarding infrastructure, the Trust has continually tried to make improvements as you have stated and significant work and investments are underway on the Preserve. Approximately 14.5 miles of the Preserve "loop" have been upgraded to a level "3" road and the remaining 18.5 miles are currently being worked on at a cost of \$900,000 utilizing Trust revenue rather than appropriated dollars. An additional 6 miles in the upper San Antonio are currently being upgraded under a joint effort between VCT, the New Mexico Environment Department (NMED), New Mexico Gas Company and the Los Amigos de Valles Caldera. The majority of funding is through a grant received by the NMED and funds provided by the Gas Company of New Mexico. The Trust also allocated \$855,000 from revenue in 2009 for repairs to buildings that generate revenue for or are utilized in operations of the Preserve including the Lodge, the Bunkhouse, and the two A-frame structures in the Headquarters area.

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The "grazing" program has undergone a conversion from just fattening animals to a scientific research program in collaboration with New Mexico State University. NMSU has partnered with the New Mexico Beef Cattle Performance Association to provide registered breeding stock to forage on the Preserve while undergoing tests and observations for the incidence of genetically related hypertension in cattle that can result in animal mortality. The goal of this program is to provide mountain state cattle ranchers with a genetic line of breeding stock that can prosper in higher elevations, a great benefit to the producers in northern New Mexico and the other ten mountain states. Additionally, NMSU has partnered with the Pueblo of Jemez and other local livestock producers to provide foraging alternatives for cow/calf pairs while range improvements are made on their lands. This overall livestock program allows for a great deal of extension work to be performed by the university to the benefit of ranchers in the region and will culminate in a breeding bull and heifer auction October 10<sup>th</sup> on the Preserve to sell a number of the animals found suitable for high elevation production. The program has also proven to be environment and visitor friendly.

We would like to mention that the Preserve has been granted \$750,000 in stimulus money for forestry work. This money will allow for thinning and prescribed burning projects on approximately 750 acres of Preserve forest, providing work and forest product utilization for the benefit of the area.

In science and education, the VCT continues to develop formal and informal educational programs that will serve the American public, from public school children through senior citizen programs. In support of these expanding programs, the Trust has acquired (with revenue funds, not appropriations) an existing facility in Jemez Springs for an education and training center. The facility has 25 bedrooms (50 person capacity), dining hall and institutional kitchen, classroom space, teaching laboratory space, and offices, and is only 15 minutes from the Preserve's southwest corner. This facility will provide overnight lodging for students, teachers, scientists, and other program participants nationwide, and provide needed classroom/laboratory facilities to support field programs.

The overall education program continues to focus on science-related aspects of the Valles Caldera National Preserve (including geology, ecology, wildlife and fisheries management, range management and livestock husbandry, forestry, biodiversity, climate change, hydrology, archaeology), but will also include a wide range of other disciplines (art, photography, history, literature, poetry, music) for which the Valles Caldera provides an inspirational environment. Numerous preliminary programs in both formal and informal education activities have been conducted since 2003, and the Trust is now moving ahead with permanent programs.

The "clienteles" of these programs fall into four main groups:

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1. Public school students and teachers (elementary through high school) and college/university students in formal educational classes. The Trust currently collaborates with the 29 rural public school districts in the Northern New Mexico Network for Rural Education (NNMN), hosting summer environmental training courses for high school science teachers. In August 2009, scientists and educators from NM Tech, the NNMN and the Valles Caldera Trust submitted a grant proposal to the National Science Foundation (NSF) to establish a 5-year, \$12.5 million science education program for the northern New Mexico public schools, and the summer teacher and student field education programs will be based at the Valles Caldera. Other public school educational programs include environmental science camps for the Santa Fe Indian School, the Northern New Mexico Pueblos (in collaboration with Los Alamos National Laboratory), and the Pajarito Environmental Education Center (PEEC) in Los Alamos. Additionally, recent university-level educational activities hosted by the Preserve include those from Johns Hopkins University, Virginia Tech, University of New Mexico, New Mexico State University, New Mexico Tech, Northern New Mexico College, Highlands University, University of Colorado, University of Texas (Austin), and The Colorado College.
2. Scientific research programs including faculty, staff, graduate and undergraduate students conducted on the Preserve. These projects are generally funded through extramural grants, and take advantage of the extensive scientific inventory and monitoring activities conducted on the Preserve by Trust science staff. In 2008, there were 32 permitted research projects with an annual cumulative budget of ~\$1.6 million. In addition, two new major NSF-funded grants that use the Preserve for study areas began in 2009: The 5-year, \$15 million Experimental Program to Stimulate Competitive Research grant to the universities in New Mexico (administered through the University of New Mexico) and a 5-year, \$4.35 million grant to the University of Arizona for the establishment of a "Critical Zone Observatory" on the Preserve.
3. Organized volunteer groups that participate in ongoing science projects on the Preserve, along with general public participants in informal workshops and theme-oriented or special-topic classes. These include such volunteer groups as the Sierra Club, who provide volunteer field personnel to sample vegetation for ecosystem production and herbivore utilization (elk and livestock), and environmental groups that perform beneficial volunteer work on the Preserve. For example, we have hosted WildEarth Guardians, the Albuquerque Wildlife Federation, and the Boy Scouts of America for weekends of old livestock fence removal on the Preserve.

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4. Private, corporate, non-governmental organization, or government retreats and training programs. Businesses and agencies often need secluded facilities to run employee training programs, planning workshops, and special-topic seminars, and the VCT center will be ideal for this type of activity.

The Trust has developed a financial plan for operating the proposed facilities and the programs. Overnight lodging and food service revenues will allow the educational program to achieve 100% cost-recovery when the facilities reach 45% capacity. School program expenses can be defrayed via grants, and such grants are being prepared in cooperation with New Mexico universities and colleges. The Trust believes that the continued development and expansion of Valles Caldera public education programs, now with suitable support facilities, will provide an outstanding experience for the American people and ensure that the Preserve becomes a sustainable national resource in research and educational programs for science, natural resource management, and other academic disciplines.

We concur that the Trust is behind schedule and that as of September 2009, your statement would be correct. However, it would appear to us that phase 2 is not over until the end of 2010 and that an assessment at that time might result in additional programs and activities completed on schedule. For example, in summer 2009, the Trust initiated the Environmental Impact Statement (EIS) for Public Access and Use Planning, and this large-scale planning effort will be completed in 2010. In addition, the Trust is well along in its Landscape Restoration and Management Plan – Existing Condition Report, which also will lead in 2010 to the EIS for the management of Preserve forests and use of natural/prescribed fire in restoring the extensive second-growth forests on the Valles Caldera.

As to factors delaying progress, you make some interesting points. Trustee turnover has undoubtedly been a factor but to our knowledge, the turnover has been all legislated. We do not recall any resignations and only one vacancy due to the unfortunate death of a member. As to decision making, we might suggest that when you have seven trustees of differing specializations interpreting a vague piece of legislation containing dueling goals and objectives, discord can result. Staff turnover would be an expected result.

An objective of the Valles Caldera Preservation Act was to provide an experiment in alternative public land management by utilizing a trust to provide management and policy oversight. The appointed Trustees were intended to bring varied expertise to this endeavor and the Trust was intended to streamline management decision making. At the time of its establishment, the Trust was hailed as an experiment in alternative land management. Hopefully, one that could run more efficiently, be self supporting, and not be mired down by litigation as so often happens with the Forest Service and BLM.

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After nine years, the jury is still out as to whether this experiment in public enterprise has viability. Clearly, management progress has been made in resource protection and many public expectations have been met. For example, our management activities have not generated litigation. However, flaws in the Valles Caldera Preservation Act itself prevent a true test of the Trust's viability.

The Act presents conflicting goals of resource protection, resource utilization, and financial self-sustaining. Simply stated, the Valles Caldera Trust can never achieve financial independence under this legal regime. The land presents relatively few revenue opportunities, and long range options for revenue generation are precluded under the law. There is an inherent cost in managing a federal workforce and a government corporation. Thus we are compelled to annually budget by appropriation "earmarks".

Congress has thus far been silent in addressing some of our real practical needs such as providing a governmental safety net to cover potential tort liabilities. Currently we are forced to buy private insurance which is expensive, largely unavailable and of limited coverage. If Congress assured the same liability coverage as it provides all federal agencies and employees, we could protect the Trust from potential judgments that would put us out of business and also save money now wasted on private insurance.

Financial sustainment cannot be achieved without unacceptable resource damage. We speculate that if the GAO were to investigate any unit of the National Park System or the National Forest System with a comparable resource management mission, they would find none that could ever be financially self-sustaining, particularly when administrative overhead is applied. In this regard, we believe the model of the Presidio is clearly not comparable in resources or market potential.

**KEY ELEMENTS OF AN EFFECTIVE MANAGEMENT PROGRAM**

You are correct in your comments and there is no excuse for these plans and controls to be lacking. Top priority will be given to reaching prompt compliance with the law and we will report our progress in the Annual Report to Congress and through our annual financial audits.

**CURRENT AND FUTURE CHALLENGES**

We believe that you have aptly described our situation. The law by which we are governed is dysfunctional and will not allow us the tools necessary to accomplish the goals and objectives set forth for the Trust. Financial self-sustainment by 2015 is not a possibility under the current provisions of the Valles Caldera Preservation Act. Additionally, it appears that Senators Bingaman and Udall have doubts as to whether or not the Trust should continue and have

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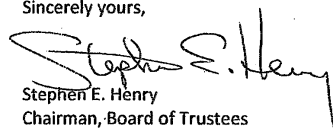
requested the National Park Service to look into the possibility of making the Preserve a unit of the National Park System (NPS).

We believe that a determination should be made now as to the general public's desired purpose for the Preserve. The Valles Caldera is surrounded by 1.6 million acres of forest and adjoins the Bandelier National Monument. It would appear that ample hiking trails and campgrounds are available in the surrounding region, but if the public wants open gates and cost-free admission, then the NPS or the Forest Service might be a good fit.

However, if it is the desire of the Congress and a majority of the general public to maintain a **National Preserve** with structured access providing a multitude of activities, a working ranch concept, reasonable activity and access fees to help offset operating costs, environmental restoration to pristine natural conditions, and a science and education program that contributes significantly to the region and the nation, then the Trust may yet be the best management regime. However, this can only be fairly tested if Congress amends the Act. If relieved of the financial self-sustainability mandate, we believe the Trust can function more efficiently than comparable Forest Service or Park Service operations. And freeing us from generating revenues for an unachievable sufficiency goal will allow us to reorganize our management priorities to allow us to focus on resource protection within the context of modest livestock operations, hunting programs, timber management and other resource activities. Without a deadline of 2015, the Trust would not be required to pursue some developmental activities opposed by many. Without a deadline and given time to reach maturity, the expansion of activities and the science and education programs might demonstrate the viability of the Trust as a highly cost efficient and publicly responsive steward of the land.

It is ultimately up to the Congress to give this experiment in public enterprise a chance to succeed. If the Act is made functional the Trust has more to offer than any other form of management.

Sincerely yours,



Stephen E. Henry  
Chairman, Board of Trustees

cc: Valles Caldera Board of Trustees  
Gary Bratcher, Executive Director

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# Appendix II: GAO Contact and Staff Acknowledgments

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## GAO Contact

Robin M. Nazzaro, (202) 512-3841 or [nazzaror@gao.gov](mailto:nazzaror@gao.gov)

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## Staff Acknowledgments

In addition to the person named above, David P. Bixler, Assistant Director; Lisa Brownson; Ellen W. Chu; Elizabeth Curda; Richard P. Johnson; Mehrzad Nadji; James M. Rebbe; Dawn Shorey; Jena Sinkfield; and Maria Vargas made key contributions to this report.

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