

September 8, 2003

Honorable Charles Taylor
Chairman, Subcommittee on
Interior and Related Agencies
Committee on Appropriations
House of Representatives
Washington, D.C. 20515

Dear Mr. Chairman:

I am writing to transmit a proposed consolidation of real estate appraisal functions within the Department of the Interior. On June 19, 2003, Secretary Norton announced her intent to consolidate these functions in order to achieve significant reform of the appraisal function. In making this announcement, the Secretary indicated that the Department expects to formally establish the new organization effective at the beginning of Fiscal Year 2004.

The consolidation will address longstanding concerns regarding appraisals, which are performed for land and mineral acquisitions and exchanges, land sales and for other purposes such as concessions contracting. These concerns have been documented in a variety of reports issued over several decades by the Department's Inspector General and his predecessors, the General Accounting Office, and more recently by the Appraisal Foundation. We believe that a strong Departmental appraisal organization with unified lines of supervision will strengthen appraiser independence, enabling unbiased valuation services that meet recognized professional standards. This will restore public confidence in our ability to manage land transactions.

In early July, the Department formed the Appraisal Reform Team (Team), comprised of career professionals from the respective bureaus and offices, including appraisers, realty specialists, human resource managers, policy and budget analysts and others with pertinent expertise to prepare recommendations for managing the transition to a new consolidated structure. The Team has recommended the placement of the new organization in the National Business Center (NBC), and is currently addressing a variety of short and long term issues regarding the new appraisal organization.

The NBC is appropriately suited to house the new appraisal organization as it provides Department-wide business and administrative services and systems to Interior bureaus and offices, including payroll, financial and accounting services, procurement, information technology, aviation services, etc. It operates through the Office of the Secretary's Working Capital Fund on a fully reimbursable basis. With its variety of

locations, the NBC is organizationally structured to provide administrative and infrastructure support to the appraisers for better coordination and consistency in implementing appraisal guidance, continuing education and professional development of appraisers, and greater efficiencies in contract monitoring and management.

The appraisal organization will be led by an official designated as the Department's Chief Appraiser, who will report directly to the Director of the NBC. It is important to note that while the appraisal function is being consolidated, this will not result in the centralization of appraisal functions in Washington. Appraisal functions will continue to be performed predominantly in the field. Regional offices will be established and led by regional supervisory appraisers, who will supervise these offices and the various field offices under their respective jurisdictions. Although the Department is not relocating staff at this time, over time we intend to restructure the field organization in order to achieve better coordination, consistency, and economies of scale. Issues such as projected workload and employee concerns will be considered in any decisions regarding these field offices.

The Interior bureaus and offices with appraisers include the U.S. Fish and Wildlife Service (FWS), National Park Service (NPS), Bureau of Land Management (BLM), Bureau of Reclamation (BOR), Office of the Special Trustee for American Indians (OST), and the Office of Surface Mining (OSM). The Department plans to phase in the consolidation of staff currently classified as appraisers from the FWS, NPS, BLM, and BOR to the NBC on October 5, 2003, with the exception of OST and OSM appraisers. The transfer of the OST appraisers would occur at a later date following planned consultation with Indian Country regarding the relevant aspects of implementing this initiative. The single appraiser in OSM will remain in OSM.

Based on current staffing, the Department plans to bill FWS, NPS, BLM, and BOR a total of \$7.7 million from currently budgeted amounts in each bureau. This will pay for the costs of the appraisers. The bureaus will continue to provide support staff, space, information technology, and other support and administrative services for the appraisal function throughout the balance of Fiscal Year 2004. Bureaus will also continue to fund costs for contracted appraisal services from currently budgeted amounts during 2004. We are tracking these costs in order to develop accurate estimates of support costs funded in bureaus that will ultimately be billed through the WCF.

In FY 2005 the balance of the appraisal organization will be reassigned to the NBC including administrative, contract, and other identifiable support functions. Beginning in 2005 and thereafter, funding for appraisal functions will be displayed in the budget justification for the WCF and the bureaus and the NBC will bill bureaus for the full costs of the appraisal function. This process will provide the time needed to capture and calculate the appropriate amount of funding to support the appraisal function. We will keep the Subcommittee staff apprised of the changes in the estimated funding amount. Over time, we expect to achieve savings through economies of scale, shared expertise, and co-location, although these will be partly offset by increased commitments to appraiser training and certification.

The NBC is working closely with the Appraisal Reform Team to provide for a smooth transition of the appraisal function. They are evaluating funding, staffing, contracting, information technology and other concerns to meet the needs of the new appraisal organization. A web site has been established to provide information to appraisers and other bureau personnel on the status of the consolidation, and other communication initiatives are being planned, including a broadcast that will occur prior to the transition. Employee concerns have been a high priority throughout this process. Prior to the June 19 announcement, extensive internal outreach was conducted to inform employees about the proposed action, and we will continue to provide information and assistance during and after the transition.

Organizational charts and funding for both the current organization (as presented in the respective bureau FY 2004 budget justifications) and the proposed organization are enclosed, as well as more details on the appraisal staffing and funding that is being reassigned.

An identical letter is being submitted to the Honorable Norman D. Dicks, Ranking Minority Member, Subcommittee on Interior and Related Agencies, Committee on Appropriations, House of Representatives; Honorable Conrad Burns, Chairman, Subcommittee on Interior and Related Agencies, Committee on Appropriations, United States Senate; and the Honorable Byron L. Dorgan, Ranking Minority Member, Subcommittee on Interior and Related Agencies, Committee on Appropriations, United States Senate.

This letter is being submitted in accordance with the arrangements and understanding the Department has with the House and Senate Committees on Appropriation with respect to reprogramming procedures. As provided under these provisions, we intend to proceed with this reprogramming unless we hear from you within 30 days of your receipt of this letter.

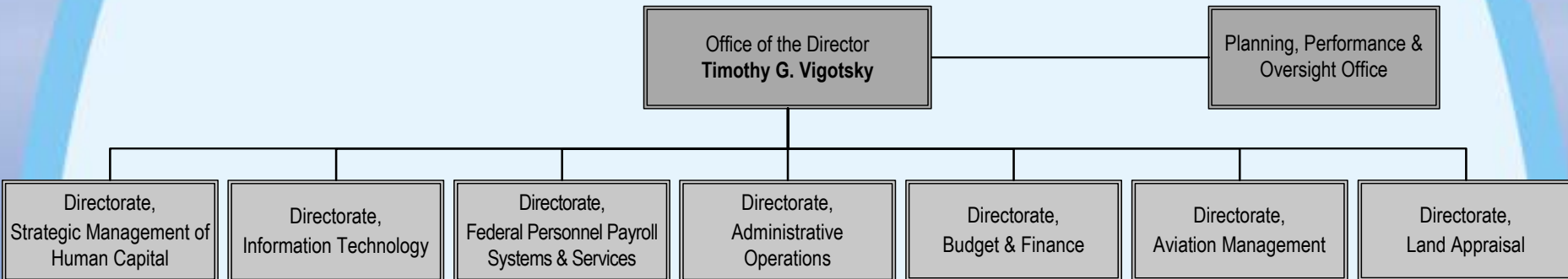
Sincerely,

/s/ P. Lynn Scarlett

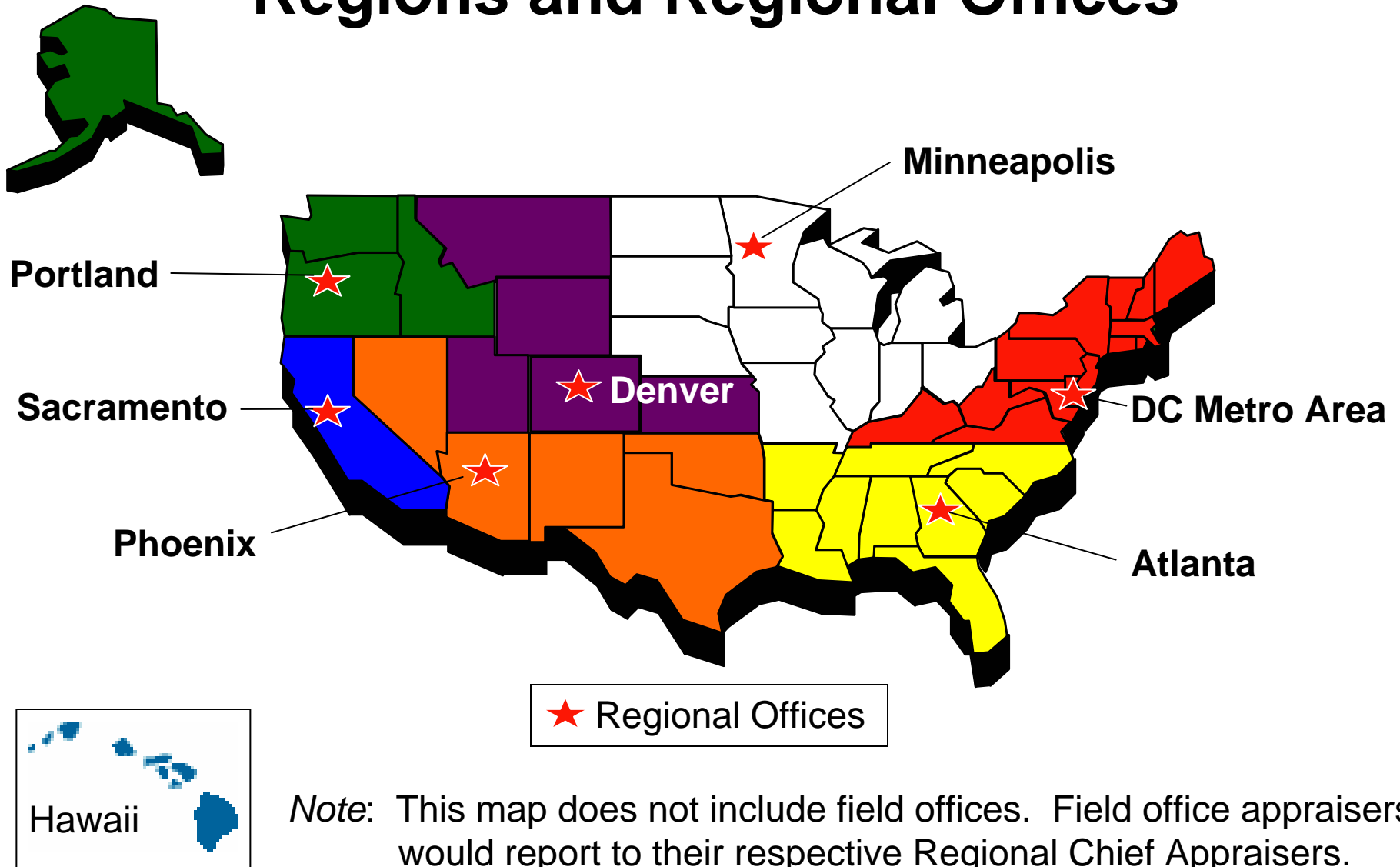
P. Lynn Scarlett
Assistant Secretary
Policy, Management and Budget

Enclosures

National Business Center



NBC Appraisal Organization Regions and Regional Offices



Note: This map does not include field offices. Field office appraisers would report to their respective Regional Chief Appraisers.