

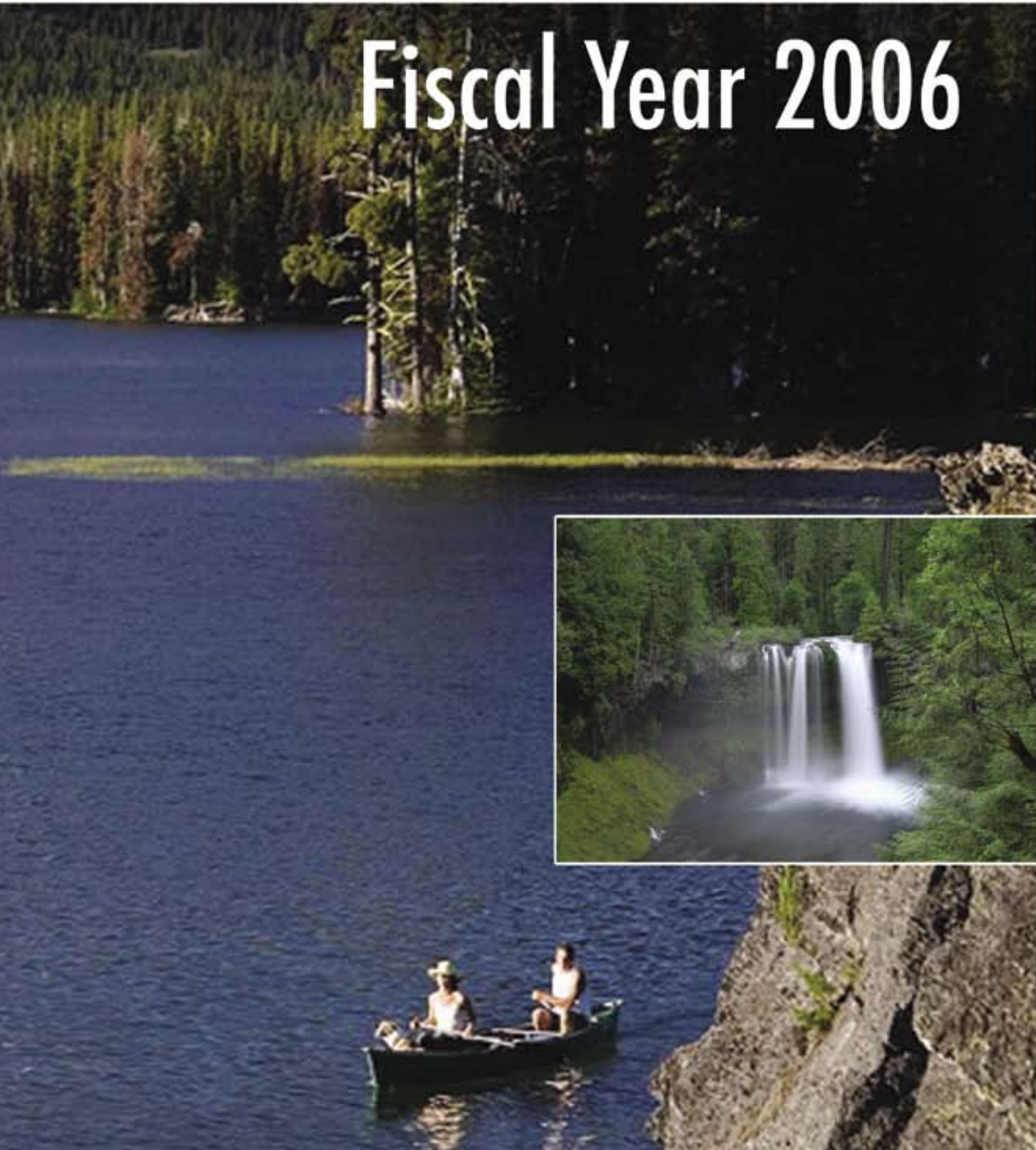


United States Department of Agriculture
Forest Service

January 2007

Highlights of the Forest Service Performance and Accountability Report

Fiscal Year 2006



Message From the Chief

I am pleased to present the *Forest Service Performance and Accountability Report—Fiscal Year 2006*. This report, which integrates information on financial management and programmatic results, reflects our strong commitment and accountability to our mission “to sustain the health, diversity, and productivity of the Nation’s forests and grasslands to meet the needs of present and future generations.” The accomplishments in this report represent the diverse efforts of all Forest Service employees. The report evaluates our management and measures our fiscal year 2006 performance toward meeting the agency’s Strategic Goals:

- Reduce the Risk of Catastrophic Fire
- Reduce the Impacts From Invasive Species
- Provide Outdoor Recreational Opportunities
- Help Meet Energy Resource Needs
- Improve Watershed Condition
- Conduct Mission-Related Work To Support the Agency’s Goals

It also outlines our financial situation and the challenges ahead, giving us a complete overview of where we stand as an agency. For the fifth year in a row, we achieved an unqualified (“clean”) audit opinion on our financial statements. We have focused great effort to improve our financial accountability, which strengthens our credibility as an organization with Congress, the Administration, and our stakeholders.

Many Forest Service managers and executives contributed to the information contained in this report. Except where noted, the data presented in this report are a valid, reliable, accurate, and complete (when considered as preliminary) measure of our performance. This information tells us where we have made real progress and where we still have room for improvement. In areas where any material weakness was found or where performance target thresholds have not been met, we have provided our plan of action to improve such efforts in fiscal year 2007.

We have improved how we manage our Business Operations. Our Business Operations Transformation Program is one of the largest change management efforts ever undertaken by the Forest Service. Now in its second year, this initiative is standardizing and centralizing the agency’s administrative processes, including human resources and other business operations functions, as was done for the budget and finance processes in FY 2005. This effort will enable the Forest Service to provide efficient and timely services to its internal and external customers as we redirect critical funds from administrative functions back to mission-critical programs. Furthermore, we are continuing in our efforts to improve performance accountability throughout the Forest Service. One of our greatest achievements this year has been the implementation of the Performance Accountability System (PAS).



We have made significant progress in addressing the four greatest threats to the health of our Nation's forests and grasslands: fire and fuels, invasive species, loss of open space, and unmanaged outdoor recreation. Here are just a few representative accomplishments detailed in this report:

- We did an outstanding job of suppressing wildfires in fiscal year 2006, which saw the greatest magnitude of wildfires since the 1950s; however, in doing so, we suffered tragic losses of firefighters' lives in multiple incidents. The Forest Service is committed to suppressing wildfires with a commitment to an improved "culture of safety" that results in no such fatalities.
- We have exceeded performance targets in some key areas by leveraging the contributions of partners and volunteers, especially in the areas of trails, wildlife habitat, and stream and lake habitat.
- We exceeded our expectations in treating acres for selected invasive species, noxious weeds, and invasive plants due, in part, to stewardship contracting opportunities and work efficiencies.
- We are helping to lead the way in climate change research and development.
- We have contributed toward energy development by increased processing of energy facility applications.
- We have encouraged the active, long-term forest management of important private forest resource areas.
- We are broadening the circle of conservation, especially in conservation education and urban forestry.

We have had many successes over this past year, but there are many challenges ahead. The Forest Service continues to focus on strategies associated with invasive pest species management and has begun to look at a more focused approach to its aquatic invasive species management. We continue to improve our management of wildfire risks made difficult by various local planning and zoning ordinances that provide limited protection of open spaces. Additionally, our national forest and grassland managers are working on mitigating the effects of urban sprawl caused, in large part, by urban encroachment into private forest lands. Our leadership is looking ahead to meet growing challenges and needs related to law enforcement and the development of metrics and markets for ecosystem services.

As we close another successful year for the Forest Service, I am proud to report that we were able to accomplish our mission, thanks to the skill and hard work of our dedicated employees. As we look ahead, I am confident that in collaboration with partners, communities, and other stakeholders, we will meet the challenges and continue to fulfill our mission.



DALE N. BOSWORTH
Chief



Mission

The mission of the U.S. Department of Agriculture (USDA) Forest Service “to sustain the health, diversity, and productivity of the Nation’s forests and grasslands to meet the needs of present and future generations” is based on the relationship of the American people and their precious natural resource heritage. In managing more than 193 million acres of the National Forest System (NFS), the Forest Service has many programs, as well as partners, that contribute toward the sustainability of the resources and the successful accomplishment of the mission.

Forest Service executive leadership selected the fiscal year (FY) 2006 Executive Priorities as the key performance measures aligned to the USDA Forest Service Strategic Plan for Fiscal Years 2004–2008. These priorities are the basis for the Forest Service’s Performance and Accountability Report—Fiscal Year 2006 (P&AR).

To meet accelerated reporting timelines for FY 2006, the Forest Service projected annual accomplishments prior to the close of the fiscal year. As a result, all performance information in the P&AR is preliminary, whereas in this Highlights of the FY 2006 Forest Service Performance and Accountability Report, the information is the 12-month actual performance. Therefore, there are differences between the two sets of data.

Organizational Structure

The Forest Service operates under the guidance of the USDA Under Secretary for Natural Resources and Environment. Forest Service policy is implemented through nine regional offices, six research offices, one State and Private Forestry (S&PF) area office, the Forest Products Laboratory, the International Institute of Tropical Forestry, with 868 administrative units (which include forests, districts, and research laboratories) functioning in 46 States, Puerto Rico, and the Virgin Islands. Reporting to the Chief are the deputy areas: Business Operations, Research and Development (R&D), NFS, S&PF, as well as the Chief Financial Officer.

In later sections of this audit report that pertain to the financial statements and notes, the discussion revolves around “responsibility segments,” rather than deputy areas. Deputy areas are administrative groupings, whereas responsibility segments are constructs used to assess net costs.

The Forest Service’s mission includes the following four major responsibility segments.

National Forests and Grasslands. This responsibility segment includes protection and management of an estimated 193 million acres of NFS land, which includes 35 million acres of designated wilderness areas. In addition, the Forest Service partners with other nations and organizations to foster global natural resource conservation and sustainable development of the world’s forest resources.

Forest and Rangeland Research. This responsibility segment is responsible for research and development of forestry and rangeland management practices to provide scientific and technical knowledge for enhancing and protecting the economic productivity and environmental quality of the estimated 1.6 billion acres of forests and associated rangelands in the United States.

State and Private Forestry. This responsibility segment uses cooperative agreements with State and local governments, tribal governments, forest industries, and private landowners to help protect and manage non-Federal forests and associated rangeland and watershed areas.

Wildland Fire Management. This responsibility segment is responsible for protection of life, property, and natural resources on an estimated 193 million acres of NFS lands and the estimated 20 million acres of adjacent State and private lands.

Some of the responsibility segment names are the same as those used for deputy areas, but the terms are not synonymous.

Demands and Risks

Several known demands and unforeseen risks may impact the Forest Service's organizational capacity to meet its mission or financial responsibilities in the near term.

The legacy decentralization of the Forest Service proved beneficial from the standpoint of employees who were highly knowledgeable about the local communities: from appropriate land management to meet the local natural resource needs to developing local partnerships and handling local politics. Yet, there proved to be parts of decentralization that were not as positive, such as the redundancy of the agency's administrative processes for finances, human resource (HR) management, and technical support. This redundancy required an intensive use of resources and was unnecessarily expensive.

The Business Operations Transformation Program, now in its second year, is an agencywide initiative to improve the Forest Service's organizational efficiency over a span of several years. Chief Dale Bosworth recently called this an "Agency Transformation," emphasizing that all Forest Service employees are responsible for the success of these changes to our business operations.

The transformation will standardize and centralize many of the budget and finance processes; improve the quality and efficiency of the agency's technology services; and standardize and centralize HR processes into a strategy for human capital management. The design of these transforming projects will also increase the Forest Service's ability to meet the needs of its internal and external customers as the agency redirects critical funds from administrative functions back to mission-critical programs.

But, the newly centralized processes are not yet functioning at their most efficient and effective levels. The Albuquerque Service Center (ASC) for Budget and Finance, which brought nearly 450 employees to a consolidated center in FY 2005, continues to identify problems, monitor progress, and create solutions to challenges, including travel and payment activity. Over the past year, large numbers of payments were late to contractors, partners, utility companies, and employees, partially due to the consolidation of services, but also because some services

provided by the USDA's Office of the Chief Financial Officer in New Orleans, LA, were significantly reduced after Hurricane Katrina. The agency continues to work diligently in overcoming these issues.

Further, as work with the National Finance Center has gone more slowly than planned in implementing new systems for human capital management, the Forest Service has delayed the move of these functions to the ASC. Planned completion for the move is September 2007.

The Forest Service continues to have challenges in the early detection of invasive species and in managing wildfire risks because State and local planning and zoning ordinances provide limited protection of open spaces. Urban encroachment into large tracts of private forest lands has created a new kind of rural community, and national forest and grassland program managers struggle to mitigate the effects of urban sprawl.

The Chief of the Forest Service previously identified invasive species as a major threat to the Nation's forest and rangeland resources, but this must now be extended to aquatic invasive species. In a 2004 Program Assessment Rating Tool (PART) assessment, the Office of Management and Budget (OMB) determined that the agency lacked focus, consistency, and cooperation across all deputy levels in the development of invasive pest management strategies. Cooperation within the Forest Service and collaboration with the USDA Animal and Plant Health Inspection Service should improve the focus of and consistency in managing forest pests and decrease the potential risk of infestations.

The Forest Service's primary focus for invasives is their prevention, early detection, and eradication before they become widespread and do extensive damage to ecosystems. Ongoing strategies include the slow-the-spread strategy for gypsy moth infestations; conclusion of the early detection and rapid response pilot study for bark beetles, with a planned 2007 national implementation; and an update to the National Insect and Disease Map, with a national risk assessment of tree mortality caused by major outbreaks of insects and diseases.

Rising fire suppression expenditures are driving up the 10-year average suppression costs. These expenditures are affecting the Forest Service's ability to deliver an interdisciplinary program within a constrained budget. Ongoing efforts to address rising suppression costs include an FY 2008 proposal of an alternative budget process that partitions the suppression account into *initial response* and *emergency accounts*. This proposal mitigates transfers of funds from other agency appropriations that have the potential to disrupt or eliminate numerous activities and projects to manage forests and grasslands, conduct research, or help State or private landowners manage their lands.

Although important to the mission, the expansion of National Response Plan assignments brings a tremendous impact on the agency's ability to meet its mission. Long-term participation in hurricane recovery efforts and other assignments will further impede the agency's primary firefighting mission and may compromise attainment of the agency's performance goals.

Lawsuits filed against the fire program may also impact the agency's ability to fight wildland fire. Courts have instructed the Forest Service to rethink the fire planning process as two fire management plans have been determined to be decisionmaking documents and, therefore, are subject to the National Environmental Policy Act (NEPA). The Forest Service is addressing this challenge by retooling the existing format for fire management plans, separating NEPA decisions from those on staffing and budget. The agency has also been required to complete a NEPA assessment on the use of retardant in fire suppression. If regulatory agencies determine through an endangered species consultation that current safeguards are not adequate, there is the potential for a reduced use of fire retardant, which may hinder Forest Service effectiveness in limiting the size of some wildland fires.



Message From the Chief Financial Officer

As the Chief Financial Officer of U.S. Department of Agriculture (USDA) Forest Service, I present the consolidated financial statements of the USDA Forest Service for fiscal year (FY) 2006. For 5 consecutive years beginning in FY 2002, our independent auditor has rendered an unqualified, "clean," opinion on our financial statements. The unqualified opinion for FY 2006 attests to the fact that the Forest Service financial statements are fairly presented and demonstrate discipline and accountability in the execution of our responsibilities as stewards of the American taxpayers' dollars.

The Forest Service continued agencywide improvement efforts to effectively and efficiently manage public funds and property through "Sustainable Financial Management activities." Strategic goals for financial management continue to be focused on creating an effective, efficient, and economic financial management organization; establishing financial management performance accountability; sustaining financial management improvements; resolving open audit recommendations and material weaknesses; and integrating financial processes and systems.

During FY 2006, the Forest Service obtained closure on one material weakness and had two other material weaknesses downgraded to reportable conditions from the FY 2005 financial statement audit. The Forest Service has developed corrective action plans and established target dates for all open recommendations, and we anticipate a further reduction in outstanding open audit recommendations by the end of FY 2007. In FY 2006, and continuing into FY 2007, the Forest Service is continuing to implement corrective actions associated with material weaknesses regarding the Financial Management and Reporting process and the Information Technology General Controls Environment.

The Forest Service took the steps necessary in FY 2006 to ensure that evaluations of the system of internal controls for the agency have been conducted in accordance with OMB guidelines and comply with the standards prescribed by the Comptroller General. The Forest Service evaluations included assessments regarding whether the financial management systems and internal accounting and administrative controls were in compliance with the standards prescribed by the Comptroller General. The result of the assessment, conducted at all levels throughout the agency, indicate that the system of internal accounting and administrative control in effect during FY 2006 complies with the requirement to provide reasonable assurance that the objectives have been met.

In FY 2007, the Forest Service commitment to effective and efficient management of its resources continues. Our goals will center on maintaining an unqualified audit opinion, eliminating material weaknesses, ensuring our financial systems and reporting meet Federal requirements, and implementing new initiatives. We continue to focus efforts on improving our ability to provide timely, accurate, and useful financial information with the effort and teamwork of program, business, financial management, and audit staff. I want to extend my appreciation to all individuals and organizations whose dedication and resolve made the FY 2006 unqualified opinion and reduction of material weaknesses possible. I anticipate another productive year in FY 2007 and continuous improvement in the level of financial services evidenced in our past successes.



JESSE L. KING
Chief Financial Officer

Financial Statement Highlights for 2006

The Forest Service produces a series of financial statements on a quarterly basis to summarize the activity and associated financial position of the agency. The five principal statements are as follows:

- Balance Sheet
- Statement of Net Cost
- Statement of Changes in Net Position
- Statement of Budgetary Resources
- Statement of Financing

In producing these statements, the agency seeks to provide relevant, reliable, and accurate financial information related to Forest Service activities. Analysis of the agency's September 30, 2006, financial statements provides the following highlights. The exhibits below reflect the comparative amounts for FY 2006 and FY 2005.

Assets

The Forest Service reports \$7.7 billion in assets as of the year ended September 30, 2006. This represents a decrease of 5 percent from FY 2005 amounts and is partially attributed to a decrease in Fund Balance with Treasury (FBwT). FBwT for the periods ending September 30, 2006 and 2005, decreased by \$310 million, or 7 percent, due to catastrophic wildland fire activity.

The three major asset categories are shown in Exhibit 1.

Exhibit 1. Assets (in millions)

Asset	2006	2005	Difference	
			Dollars	Percentages
General Property, Plant, and Equipment	\$3,585	\$3,695	(\$110)	(3%)
Fund Balance with Treasury	3,877	4,187	(310)	(7%)
Accounts Receivable, Intragovernmental, and Non-Intragovernmental	254	269	(15)	(6%)
Total of Major Categories	\$7,716	\$8,151	(\$435)	(5%)
Other Asset Categories	25	20	5	25%
Grand Total Assets	\$7,741	\$8,171	(\$430)	(5%)

General Property, Plant, and Equipment (General PP&E) consists primarily of forest road surface improvements, culverts, bridges, campgrounds, administrative buildings, other structures, and equipment.

General PP&E also includes assets acquired by the Forest Service to be used for conducting business activities, such as providing goods or services. General PP&E does not include the value of heritage assets¹ or stewardship assets².

Heritage and stewardship assets do not have a readily identifiable financial value and are not recorded within the financial statements of the Forest Service. A more indepth discussion of heritage and stewardship assets is presented in the Financial Statement Note 5 Heritage Assets and Stewardship Land and in the Required Supplementary Information.

FBwT consists primarily of funds derived from congressional appropriations and funds held in trust for accomplishing purposes specified by law. FBwT is available to the agency to pay authorized expenses and to finance purchase commitments based on apportionments by the OMB. "Accounts receivable" consists of amounts due from other Federal entities or the public as a result of the delivery of goods, services, and specific activities performed by the Forest Service.

¹ Heritage assets are assets that are historical or significant for their natural, cultural, aesthetic, or other important attributes, and are expected to be preserved indefinitely.

² Stewardship assets are primarily land held by the agency as part of the NFS and not acquired for, or in connection with, other General PP&E.

Liabilities and Net Position

Liabilities

The Forest Service reported \$2.3 billion in liabilities as of September 30, 2006, representing probable future expenditures arising from past events. This amount represents an increase of 15 percent from September 30, 2005. This change was partially due to an increase in Other Liability Categories. For the periods ending September 30, 2006 and 2005, the balance increased by \$347 million, or 37 percent, primarily due to increased fire accruals.

The major liability amounts for accounts payable, unfunded leave, Federal Employees' Compensation Act (FECA) benefits, payments to States, and other liabilities appear in Exhibit 2.

Federal agencies, by law, cannot make any payments unless Congress has appropriated funds for such payments and OMB has apportioned the funds. A portion of liabilities reported by the Forest Service, however, is currently not funded by congressional appropriations. For example, the unfunded amounts include employees' annual leave (earned, but not yet taken) and FECA benefits that have accrued to cover liabilities associated with employees' death, disability, medical, and other approved costs that have not yet been appropriated.

A major program generating unfunded liabilities is the Payments to States, which is a program authorizing annual revenue-sharing payments to States for public schools and public roads in the county or counties in which the national forests are located. A portion of the Payments to States program is funded with agency receipts; the balance is recorded as an unfunded liability for which the Department of the Treasury (Treasury) general receipts are apportioned in the following year when the payments are made.

The agency receipts are funds held by the Forest Service in special receipt accounts, pending transfer to the appropriate party. A portion of the Payments to States to be paid in the next fiscal year is based on receipts collected during the current fiscal year, while the remaining liability is funded by Treasury general receipts.

Net Position

The Forest Service reported a net position of \$5.4 billion for FY 2006, representing a decrease of 12 percent from FY 2005 amounts. The change is attributed to numerous factors, including a decrease in Appropriations Received and an increase in Appropriations Used. Net position represents unexpended appropriations consisting of undelivered orders, as well as

Exhibit 2. Liabilities (in millions)

Liabilities	2006	2005	Difference	
			Dollars	Percentages
Accounts Payable, Intragovernmental and Non-Intragovernmental	\$55	\$134	(\$79)	(59%)
Unfunded Leave and FECA Benefits	592	579	13	2%
Payments to States	398	378	20	5%
Other Liability Categories	1,282	935	347	37%
Grand Total Liabilities	\$2,327	\$2,026	\$301	15%

unobligated funds and the cumulative results of operations. In accordance with Statements of Federal Financial Accounting Standards 27 *Identifying and Reporting Earmarked Funds*, earmarked funds for which the Forest Service has program management responsibility are presented separately on the Statement of Changes in Net Position, and both earmarked and other fund totals are included in Exhibit 3.

Unexpended appropriations reflect the spending authority that is made available by congressional appropriation, but has not been used. Cumulative results of operations reflect the cumulative effect of financing in excess of expenditures.

Net Cost of Operations

The Forest Service's net cost of operations was \$5.9 billion for the year ended September 30, 2006.

Earned revenue from the public includes such items as the sale of forest products (timber and firewood); recreational opportunities (campgrounds); mineral resources; livestock grazing; and special land-use fees for power generation, resorts, and other business activities conducted on NFS lands. The Forest Service also performs reimbursable activities, such as work completed mainly for other Federal agencies, in accordance with the Economy Act.

The Forest Service distributes a portion of its earned revenues to eligible States in accordance with laws, such as the Secure Rural Schools and Community Self-Determination Act of 2000, to benefit public schools and roads in communities hosting national forests. These payments also pay for local forest stewardship projects.

Expenses

Forest Service program costs are \$6.9 billion for the year ended September 30, 2006, representing a 19-percent increase from FY 2005. The agency spent significantly more fighting wildfires in 2006, during one of the biggest fire seasons in recent years.

Exhibit 4 illustrates program costs by responsibility segment for the years ended September 30, 2006, and September 30, 2005.

Budgetary Resources

The Forest Service had budget authority of approximately \$5.4 billion in FY 2006 and \$5.8 billion in FY 2005. The funding received in FY 2006 represents a decrease of 7 percent from that received in FY 2005. This is due primarily to a decrease in fire appropriations in FY 2006.

Exhibit 3. Net Position (in millions)

Net Position	2006	2005	Difference	
			Dollars	Percentages
Unexpended Appropriations	\$1,054	\$1,792	(\$738)	(42%)
Cumulative Results of Operations	4,360	4,353	7	1%
Total Net Position	\$5,414	\$6,145	(\$731)	(12%)

Exhibit 4. Gross Expenses (in millions)

Gross Expenses	2006	2005	Difference	
			Dollars	Percentages
Program Costs				
National Forests and Grasslands	\$3,521	\$3,419	\$102	3%
Forest and Rangeland Research	357	329	28	9%
State and Private Forestry	416	389	27	7%
Wildland Fire Management	2,643	1,694	949	56%
Total Program Costs	\$6,937	\$5,831	\$1,106	19%

Exhibit 5. Final Performance and Trends Data for 2002–2006

Executive Priorities		Trend in Actual Accomplishments				Performance		
		2002	2003	2004	2005	2006 Targets ³	Actual Effective 12/2006	2006 Results
Goal 1: Reduce the risk from catastrophic wildland fire								
1.1.a-c	Number of acres of hazardous fuels treated (1) in the WUI; and (2) in Conditions Classes 2 or 3 in Fire Regimes 1, 2, or 3 outside of the WUI							
	Acres treated with Direct Hazardous Fuels dollars—WUI	764,367	1,114,106	1,320,317	1,187,251	1,383,000	1,045,202	75.6%
	Acres treated with Direct Hazardous Fuels dollars—outside WUI	493,536	339,239	418,135	474,077	417,000	409,467	98.2%
	Subtotal – Acres treated with Direct Hazardous Fuels dollars	1,257,903	1,453,345	1,738,452	1,661,328	1,800,000	1,454,669	80.8%
	Acres treated—within WUI			1,594,647	1,653,474		1,591,172	
	Acres treated—outside WUI			633,535	1,054,604		956,414	
	Acres treated with other dollars—WUI	--	--	274,330	466,223	Other dollars not split between WUI and outside WUI	545,970	
	Acres treated with other dollars—outside WUI	--	--	215,400	580,527	Other dollars not split between WUI and outside WUI	546,947	
	Subtotal—Acres treated with other dollars					800,000	1,092,917	136.6%
	TOTAL acres treated	1,257,903	1,453,345	2,228,182	2,708,078	2,600,000	2,547,586⁴	98.0%
	Percent of acres identified as high priority through collaboration					100%	100%	100%
1.1.g	Number of acres brought into stewardship contracts	--	--	41,834	35,478	0	57,535	N/A
1.3.a	Percent of communities at risk ⁵ with completed and current fire management plans or risk assessments from National Association of State Foresters	--	--	Protocol in development	11,413	23%	28.4%	123.5%
1.3.b	Number of acres covered by partnership agreements		--	125,000	145,979	152,750	81,966	53.7%
Goal 2: Reduce the impacts from invasive species								
2.1.b	Acres treated for selected invasive species	--	--	1,066,921	1,083,566	574,351	950,345	165.5%
--	Noxious weeds acres treated	130,868	138,742	103,703	120,040	80,800	61,215	75.8%
	Acres treated for selected invasive species, noxious weeds, and invasive plants on NFS, State, and private lands	--	--	--	1,203,606	655,151	1,011,560⁶	154.4%
Goal 3: Provide high-quality recreation while sustaining natural resources								
3.1.a	The 3-year average number of fatalities on the passenger car network							
--	Miles of road maintained to standard (high-clearance and passenger)	76,798	110,676	103,748	72,376	65,508	73,579	112.3%
3.1.a	Miles of trail maintained to standard	30,649	30,608	23,160	25,208	20,557	24,931	121.3%
3.1.b	Number of facilities to standard	--	--	15,465	26,238	26,970	28,038	104%

³Forest Service adjusted FY 2006 targets after Congress appropriated the funding requested in the President's Budget. Therefore, the targets will not match those in the Forest Service's FY 2006 Budget Justification—the agency's performance budget.

⁴These Executive Priorities have changed in FY 2006, no longer requiring that acres treated in non-WUI be in Fire Regime 1, 2, or 3 and Condition Class 2 or 3.

⁵The State foresters ultimately are responsible for community hazard mitigation plans. They are not required to report the *number* of plans expected for completion in a current fiscal year, as Forest Service reported in FY 2005.

⁶This measure was tracked separately prior to FY 2006. The accomplishments for previous years and the FY 2006 individual targets are identified in the two lines above. FY 2006 accomplishments are now combined in one measure.

Executive Priorities		Trend in Actual Accomplishments				Performance		
		2002	2003	2004	2005	2006 Targets	Actual Effective 12/2006	2006 Results
3.1.e	Number of ROW acquired to provide public access			182	229	172	164	95.3%
3.2.a	Percent of NFS lands covered by travel management implementation plans	--	--	--	--	Not targeted ⁷	494,888 ⁸	N/A
Goal 4: Consider opportunities for energy development and the supporting infrastructure								
4.1.a	Percent of energy facility and corridor applications approved within prescribed timeframes							
--	Percent of energy facility applications	--	--	65%	17%	45%	93%	206.7%
--	Percent of oil and gas applications	--	--	33%	12%	45%	71%	157.8%
Goal 5: Improve watershed condition								
5.1.a	Number of inventoried forest and grassland watersheds in fully functioning condition as percentage of all watersheds	--	--	30%	30%	40%	31%	77.5%
5.1.b	Acres of NIPF land under approved stewardship management plans	1,640,000	1,717,000	1,450,000	1,590,464	1,575,000	1,409,170	89.5%
5.3.a	Acres of terrestrial habitat enhanced to achieve desired ecological conditions	209,472	230,528	218,727	230,867	196,716	287,438	146.1%
5.3.a	Miles of stream habitat enhanced to achieve desired ecological conditions	2,001	1,375	1,788	1,623	1,457	1,658	113.8%
5.3.a	Acres of lake habitat enhanced to achieve desired ecological conditions	18,217	16,429	12,451	19,250	13,743	16,006	116.5%
Goal 6: Improve productivity and efficiency								
6.1.a	Percent of Nation for which current ⁹ FIA data are accessible to external customers	--	--	76%	76%	72%	84%	116.7%
6.2.c	Extent to which performance data are current and complete	--	--	86%	Baseline	Not targeted	100%	N/A
6.5.a	Number of Land and Resource Management Plans developed and revised			12	10	20	9	45%
6.3.a	Acres of land adjustments to conserve the integrity of undeveloped lands and habitat quality							
--	Acres adjusted (conveyed)	15,553	29,171	56,948	353,770	20,824	14,719	70.7%
--	Acres acquired (donated)	42,817	75,476	45,884	48,216	37,545	49,551	132%
--	Acres protected by FLP	57,009	128,349	563,186	46,181	230,000	361,467	157.2%
	TOTAL acres of land adjustments	114,749	232,996	666,018	448,167	288,369	425,737	147.6%
6.5.b	Proportion of data in information systems that is current to standard	--	--	Protocol in development	Protocol in development	Not targeted	44%	N/A
6.5.c	Number of forest plan monitoring reports completed	92	91	96	105	90	84	93.3%

⁷The implementation schedule was not known at the time the Program Direction was published. The final implementation schedule was released in a letter from the Chief dated June 8, 2006, and assigned a target of 3 million acres for FY 2006.

⁸Percent of NFS lands at 193 million acres would equal 0.6 percent. This is 1 percent in FY 2008 Department Estimate.

⁹FIA data made available to the public are quality assured and current (defined as less than 2 years old). Congressional hearings in 1999 exempted Alaska and Hawaii from the total land base (denominator) used for this measure. These lands were included in the total for FY 2004, creating a false decrease in the percent accomplished.

Accountability Through Assessment

The Accountability Through Assessment section for each strategic goal reports Forest Service status and progress toward PART assessments that align with that goal. The format of this section has changed as a result of OMB's implementation of <http://www.ExpectMore.gov>, a Web site that reports agencies' progress and status for PART assessments from previous years.

Wildland Fire Management

The Wildland Fire Management Program consists of five major activities: fire preparedness, fire suppression; hazardous fuels reduction, burned area rehabilitation, and State and community fire assistance.

Initial PART Assessment: 2002 Assessment for FY 2004

President's Budget

Rating: Results Not Demonstrated

PART Reassessment Scheduled: 2006 Reassessment for FY

2008 President's Budget

Rating: Official PART scores are released with the FY 2008

President's Budget

Actions Taken in FY 2006

Performance Measures and Project Criteria

The Forest Service made progress toward implementing new performance measures and strengthening hazardous fuels project criteria to ensure that funds are effectively targeted.

New measures were developed and presented to the Executive Leadership Team in July 2006. Appropriate subsets of these measures will be used in multiple performance documents, including the 2007–2012 Forest Service Strategic Plan, OMB's PART Assessment, and the update of the Interagency 10-Year Implementation Plan.

In August 2006, the first version of the Hazardous Fuels Prioritization and Allocation system was completed, using agency-defined criteria and geospatial data to assist with the realignment of FY 2006 funding and FY 2007 allocations to the regional level.

Partnership Development

In 2006, the Forest Service made progress by requiring States to have completed cost-share agreements with the Federal

Government. The agency now has master cooperative fire agreements with each State. These agreements:

- Provide a framework for mutual apportionment and reimbursement of costs for initial attack fires;
- Establish cost-share procedures and guidelines to deal with costs for large multijurisdictional fires on an incident-by-incident basis, according to direction provided in the Northwest Coordinating Group Incident Business Management Handbook.

The Forest Service and Department of the Interior (DOI), in coordination with the National Association of State Foresters, developed templates for Master Co-op Fire Agreements with cost-share guidelines and for cost-share agreements on multijurisdictional fires.

Cost Reduction

In the continuing effort to reduce costs by more effectively targeting funding for hazardous fuels reduction, the agency completed several pilots for Strategic Placement of Treatments (SPOTS). In October 2005, teams reported lessons learned from the pilots, from which a seven-step interagency framework for SPOTS assessments was developed and incorporated into new training.

The Fire and Aviation Management (FAM) Staff issued the annual Operating Action Plan, assigning accountability for suppression costs to line officers.

Cost Containment Reviews

In an effort to evaluate results and recommendations from several independent cost reviews, the Forest Service and DOI currently are preparing a report on recent efforts to better manage costs on incidents. This report will include the Wildland Fire Leadership Council Cost Action Team efforts, the status of significant cost containment recommendations made in recent years as summarized in the TriData report, and the revised cost-containment review process. (The TriData report consolidated cost containment recommendations from more than 20 previous reports, evaluated the cost-effectiveness of implementing each of the recommendations and prioritized the recommendations based on potential savings, cost to implement, and the time needed to implement.) The report is due in the first quarter of FY 2007.

FAM revised its cost containment review process for regional, national, and independent panel reviews. The new methodology helps ensure that review teams are evaluating the most significant cost drivers, and holds line officers accountable for implementing the recommendations made by the review teams.

Invasive Species Program

The Forest Service's Invasive Species Program reduces, minimizes, or eliminates the potential for the introduction, establishment, spread, and impact of detrimental invasive species across all landscapes and ownerships.

Initial PART Assessment: 2004 Assessment for FY 2006

President's Budget

Rating: Results Not Demonstrated

PART Reassessment Scheduled: 2006 Reassessment for FY

2008 President's Budget

Rating: Official PART scores are released with the FY 2008

President's Budget

Actions Taken in FY 2006

Performance Measures

In FY 2006, outcome and efficiency measures were refined for the NFS and S&PF programs.

R&D's invasive species outcome measure is "Percentage of R&D customers surveyed reporting satisfaction with accessibility, relevance, outcome, and cost effectiveness of tools developed, delivered, and used."

To establish baseline and target data for this outcome measure, an external organization conducted a customer satisfaction survey in early 2006. R&D received a score of 72 percent, out of 100 points. This score is higher than the average target score of 71.3 percent received by other Federal agencies over the past 7 years. The survey will be conducted every 3 years.

Pesticide Risk Assessments

The Forest Service met several milestones for environmental risk assessments in FY 2006. The agency completed the following pesticide risk assessments:

- The human health and ecological effects of 2,4-D;
- Borax, used for stump treatment;
- Disparlure, a gypsy moth pheromone;
- The herbicide oxyfluorfen, for invasive weeds;
- The insecticide imidoclorprid, to control hemlock wooly adelgid; and
- The herbicide hexazinone, for invasive weeds.

Insect and Disease Risk Maps

The Forest Service updated its periodic assessment of the risk of mortality from insects and pathogens. The resulting map, Insect and Disease Risk, will help prioritize treatments in combination with other criteria such as accessibility, capacity, and the ability for the treatment to succeed.

In addition to the Insect and Disease Risk map, species-specific maps were generated for *Sirex noctilio* and *Ips typographus* in FY 2006.

Recreation, Heritage, and Wilderness Resource Program

Major operational components of the Recreation, Heritage, and Wilderness Resource (RHWR) Program include the administration and management of the recreation facilities, roads, and trails infrastructure (including acquisition of ROW easements); wildlife opportunities; wilderness and heritage resources; partnerships and tourism; interpretive services; recreation special uses; congressionally designated areas; and national forest scenic by-ways.

Initial PART Assessment: 2005 Assessment for FY 2007

President's Budget

Rating: Moderately Effective

Actions Taken in FY 2006

Performance Measures

The Forest Service made progress toward linking improvements in RHWR performance with the achievement of strategic goals. New measures, based on PART outcome performance measures, were drafted into the *Forest Service Strategic Plan 2007–2012*, which was recently approved.

Recreation Site Facility Master Planning

In an effort to optimize available resources, the Forest Service accomplished several milestones toward the analysis needed for Recreation Site Facility Master Planning, including highlighting the significance of public participation. After public input is incorporated, 5-year programs of work will be completed for an estimated 60 percent of the national forests in FY 2007.

National Forest Capital Improvement and Maintenance

The Capital Improvement and Maintenance program improves, maintains, and operates roads, trails, buildings and other facilities to facilitate recreation, research, fire, and administrative and other uses on Forest Service lands.

Initial PART Assessment: 2002 Assessment for FY 2004

President's Budget

2003 Assessment¹⁰ Rating: Adequate

Actions Taken in FY 2006

Funding Allocation and Enhanced Disposal Authority

Responding to a new PART recommendation and milestones, the agency has used its enhanced disposal authority through the Facility Realignment and Enhancement Act to reduce excess facilities. The agency is also making progress in its efforts to align the road system with available resources and is improving efficiencies in project work through the use of Value Analysis.

In June 2006, the Forest Service completed the Facilities Accomplishment Report that tracks monthly trends in deferred maintenance, in accordance with the agency's Asset Management Plan.

The Forest Service is utilizing enhanced disposal authorities to dispose of unneeded facilities. The agency is monitoring progress and reporting to Congress and OMB by listing conveyance properties in the budget justification. As of June 2006, the agency closed sale on approximately \$24 million. Statistics for the entire year were available on October 31, 2006. (FY 2006 data go through September 30, 2006.)

In April 2006, the Forest Service submitted to USDA the FY 2005 Value Analyses Report for all capital improvement projects greater than \$1 million. The Forest Service revised its direction for the Value Management Program in FY 2006, but the policy will not be final until first quarter FY 2007.

The Forest Service has completed trend analysis on the loss of roads passable to passenger cars. This analysis shows that between 1990 and 2005 roads passable to passenger cars decreased by 17,635 miles. Between 2001 and 2005, the rate of decrease has been roughly 1,700 miles per year.

As an incentive for field units to optimize facilities, a multiprogram charge was assessed in FY 2006. For FY 2007, field units will be assessed a charge based upon the amount of building square footage that they maintain. The incentive, therefore, is to minimize that charge by eliminating unneeded or surplus square footage.

Energy Program

In support of the National Energy Policy, the energy component of the Minerals and Geology Program focuses on increasing opportunities for development and supply. This effort is particularly focused on eliminating backlogs of oil and gas lease nominations by providing timely recommendations on leasing

and the efficient processing of the Surface Use Plan of Operations portion of the Application for Permit To Drill that is submitted to the Bureau of Land Management (BLM).

Initial PART Assessment: 2005 Assessment for FY 2007
President's Budget
Rating: Adequate

Actions Taken in FY 2006

Performance Measures

The Forest Service is refining its energy performance measures to include compliance and remediation. To do this effectively, the agency plans to conduct a survey of regional offices to assess any existing data systems that could implement proposed changes or refinements.

Improving Efficiencies Through Partnership

The Forest Service is committed to coordinating with BLM to improve efficiencies. To increase this coordination as well as reduce the backlog of lease applications, the agencies implemented authorities provided by the Energy Policy Act of 2005. FY 2006 milestones toward these efforts under the Energy Policy Act of 2005 include:

October 24, 2005

Agencies signed a Memorandum of Understanding (MOU) to set up seven BLM pilot offices to improve Federal permitting coordination. Four of the pilot offices include Forest Service personnel.

April 14, 2006

Agencies signed an MOU for Consultation Regarding Oil and Gas Leasing on Public Lands.

Agencies signed an MOU for Coordination of Geothermal Leasing and Permitting on Federal Lands.

Minerals Management Service transferred funding to DOI to establish a 5-year program for geothermal leasing and a program for reducing the backlog of geothermal lease applications, pending as of January 1, 2005.

July 17, 2006

The Chief of the Forest Service issued a letter to the Director of the BLM, supporting efforts to implement a joint data retrieval system for oil and gas leasing and permitting, as well as geothermal leasing and operations. This effort is undergoing review and approval by the USDA Office of General Counsel, as well as BLM.

Watershed Management

Initial PART Assessment: 2006 Assessment for FY 2008 President's Budget
The assessment was not final, as of September 30, 2006.

Forest Legacy Program

The FLP identifies and protects environmentally important private forest lands, threatened by conversion to nonforest uses. FLP acquires land to protect the important scenic, cultural, fish, wildlife, and recreation resources; riparian areas; and other ecological values using conservation easements and full fee purchase. Donations and purchases must meet FLP purposes and be acquired only from willing sellers or donors.

Initial PART Assessment: 2003 Assessment for FY 2005 President's Budget
Rating: Results Not Demonstrated

PART Reassessment Completed: 2004 Reassessment for FY 2006 President's Budget
Rating: Moderately Effective

Actions Taken in FY 2006

Performance Measures and Project Criteria

In FY 2006, the Forest Service revised its project selection criteria for the FY 2008 national ranking process. The revised project selection criteria incorporate the newly updated FLP Strategic Direction priorities, including: "The majority of FLP projects are strategically linked to other protected lands to create cumulative conservation benefits."

The agency focused on forest areas at greatest risk by working with State partners to revise statewide assessments of need (AONs). These revised AONs reduce the size of forest legacy areas, focusing on the important forests threatened by conversion to nonforest uses, permitting more targeted acquisitions. In April 2006, a schedule was developed for States to review their AONs and revise as needed. Seven States needed to reduce their Forest Legacy Areas (FLAs) by the end of 2006. As of the date of the completion of the fiscal year 2006 performance and accountability report, two States had revised their FLAs.

Land Acquisition Program

The Land Acquisition Program works through partnerships between the Forest Service and other governments, private landowners, and nongovernmental organizations.

Initial PART Assessment: 2003 Assessment for FY 2005 President's Budget
Rating: Results Not Demonstrated

PART Reassessment Completed: 2005 Reassessment for FY 2007 President's Budget
Rating: Adequate

Performance Measures and Project Criteria

In FY 2006, the Forest Service worked to eliminate those projects that do not contribute towards achieving the goals of the Forest Service Strategic Plan. Additionally, the Forest Service uses established criteria to identify and prioritize acquisitions that will provide the greatest public benefits. In 2006, the agency identified two measures for FY 2007 reporting in the Forest Service's Performance Accountability System:

- Number of priority acres acquired or donated that provide public access for high-quality outdoor recreational opportunities on NFS land.
- Number of priority acres acquired or donated that reduce the conversion of forests, grasslands, and aquatic/riparian ecosystems to incompatible uses in order to improve and maintain ecological conditions for critical species.

In FY 2006, the agency developed a process to implement two efficiency measures and will continue to formalize this process in FY 2007. The efficiency measures are:

- Percentage of total acquisition cost per acre attributed to third party and private landowner participation.
- Percentage of acquisition cases completed within a prescribed timeframe.

Support Mission

Initial PART Assessment: 2006 for FY 2008 President's Budget
The assessment was not final, as of September 30, 2006.

Founding Legislation and History of the Forest Service's Traditional Role

A century ago, the idea of conservation of Federal forests culminated with Congress' passing the Forest Reserve Act of 1891, creating forest reserves from public domain land. Six years later, Congress passed the 1897 Organic Act (part of the Sundry Civil Appropriations Act), giving the U.S. Department of the Interior General Land Office and the U.S. Geological Survey three management goals for those forest reserves: (1) improve and protect the public forests; (2) secure favorable water flows; and (3) provide a continuous supply of timber, under regulation. In 1905, these responsibilities were transferred to the U.S. Department of Agriculture to a newly created bureau, the Forest Service, and in 1907 the forest reserves were renamed as national forests. In those early days, the Forest Service was responsible for the conservation and the protection of the forests.

The Weeks Law of 1911 enabled the Federal Government to purchase forest lands in the East that had been previously harvested. Those purchased lands were then transferred to the Forest Service. Throughout the agency's early history, the Forest Service's primary activities, in addition to conservation and protection, included developing trails, ranger stations, and a pool of expert natural resource managers.

The Great Depression was the incentive for a massive youth employment program—the Civilian Conservation Corps (CCC)—with some 3 million enrollees over a 9-year period. The CCC's focus was in developing recreation and fire protection for the national forests, as well as for other Federal and State lands.

After World War II, the Forest Service worked with Congress to provide lumber for the rapidly growing home market. During the 1950s, timber management became an area of emphasis for the agency. Timber production increased through the 1960s and 1970s. In 1960, Congress passed the Multiple-Use Sustained-Yield Act. This act gave recreation, fish, wildlife, water, wilderness, and grazing priority, along with timber management, conservation and protection, and Forest Service resource planning.

The passage of the Wilderness Act of 1964 provided additional protection for a national system of wildernesses in the national forests, which applied to the missions of the other Federal land management agencies as well. Additional legislation throughout the 1970s addressed the management of roadless areas on national forests.

The National Forest Management Act of 1976 brought 10-year forest management plans to the Forest Service. From this period throughout the 1990s, the Forest Service saw increased public debate and public involvement in the management of natural resources, especially from environmental, timber industry, and other interest groups and stakeholders.

This keen and proactive public involvement resulted in many of the Forest Service's large-scale assessments: the Interior Columbia Basin Ecosystem Management Project in the Pacific Northwest; the Southern Forest Resource Assessment for the southeastern portion of the country; and the Sierra Nevada Framework for Conservation and Collaboration covering the Sierra Nevada Mountains of California.



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