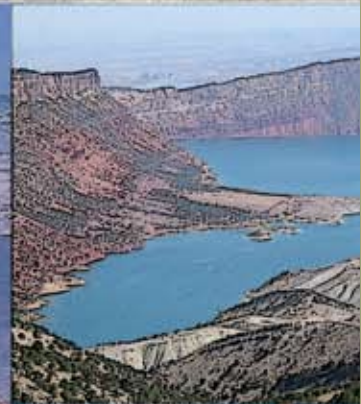




The Bureau of Land Management's

# Performance and Accountability Report for Fiscal Year 2007

October 2007 (Revised)











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# Message from the Director

The mission of the Bureau of Land Management (BLM)—to sustain the health, diversity, and productivity of the public lands for the use and enjoyment of present and future generations—is rooted in landmark legislation that dates back to 1976. Signed by President Gerald Ford, the Federal Land Policy and Management Act changed the BLM from an agency charged with disposing of “leftover” public lands to one that recognized the value of these lands and the need for them to remain in public hands.

President Bush has described America’s stewardship role this way: “Since the days of Teddy Roosevelt, there has been a consensus that Americans have a common interest in protecting our natural lands and watersheds. It is our duty to use the lands well, and sometimes not to use them at all. It is our responsibility as citizens, but more than that, it is our calling as stewards of the earth.”

With challenges both old and new, this Administration recognizes the crucial balance we must strike in managing a myriad of public land uses—such as energy development and outdoor recreation—while protecting an array of natural and other resources on the vast open spaces that characterize the American West. But to succeed in its role as a steward of the public lands, the BLM, while regarding itself as a “can-do” agency, does not try to go it alone. Rather, the Bureau, with a staff of about 10,600 full-time employees, works in cooperation with a host of partners—state governments, counties, local communities, organizations, businesses, and private landowners. The BLM calls this approach to public land management “cooperative conservation.”

Among the agency’s accomplishments of the past year, perhaps the Healthy Lands Initiative best embodies the principles of cooperative conservation. Launched in April, the initiative is designed to facilitate needed energy development in six western areas while at the same time protecting world-class wildlife habitat and other resources on those

lands. The six “emphasis” areas are southwest Wyoming; the northwest and southeast portions of New Mexico; south-central Idaho; southwestern Colorado; Utah; and the three-corner area of Idaho, Oregon, and Nevada.

The BLM is helping ensure that America’s energy needs are met by managing renewable and nonrenewable sources in an environmentally sound way. For the last 2 years, the agency has been implementing provisions of the Energy Policy Act of 2005 that apply to energy production on Federal lands. For instance, this year the BLM undertook environmental studies that would analyze areas with high potential for geothermal development, facilitate processing of geothermal leases, and allow for competitive leasing of geothermal resources. In cooperation with the Energy and Agriculture Departments, the BLM is also preparing an environmental study that would facilitate designation of “corridors” in 11 western states where much-needed electricity, oil, gas, and other energy infrastructure could be built. In addition, the Bureau continues to implement a pilot program designed to improve the processing of oil and gas permit applications in seven BLM field offices.

The BLM plays a key role in offering outdoor recreational experiences for those who live in or travel to the West, where the population has increased from nearly 20 million in 1950 to more than 60 million people today. In the last 6 years, according to the U.S. Census Bureau, the fastest growing metropolitan area has been St. George, Utah, with a population increase of 39.8 percent since 2000. Other communities that have experienced rapid population growth are Greeley, Colorado, up 31 percent; Bend, Oregon, 29.3 percent; Las Vegas, Nevada, 29.2 percent; Provo, Utah, 25.9 percent; and Phoenix, Arizona, 24.2 percent. (During the same time period, the populations of some smaller western communities grew even faster: Fernley, Nevada, up 48.5 percent; Heber, Utah, 33.1 percent; and Pahrump, Nevada, 31.3 percent.) As a result of such





growth, the once-remote lands managed by the BLM are now the virtual backyards and playgrounds of major metropolitan areas in the West.

When it comes to recreation, it is particularly important that children have an opportunity to engage in outdoor activities. With this in mind, the BLM has partnered with the American Recreation Council, National Forest Foundation, and the U.S. Forest Service to launch “Take It Outside—Connect with Your Public Lands.” Through this nationwide initiative, the partners have conducted forums across the country to solicit ideas about better ways to get children involved in outdoor activities, which promote not only physical but also mental health.

Along a similar line, the BLM has reached out to thousands of students and other potential visitors to public lands through a variety of educational programs. For instance, the agency worked with Tread Lightly!, a stewardship education program, to develop a traveling multidimensional tool used throughout the West to educate the public about off-highway vehicle and other outdoor ethics. The BLM also partners with Tread Lightly! and the National Off-Highway Vehicle Conservation Council to provide abandoned mine land safety information to off-highway vehicle enthusiasts.

In today’s fast-growing, fast-changing West, connections with local communities have become more critical than ever. Thousands of volunteers across the nation put in hundreds of thousands of hours every year helping the BLM care for its resources. For instance, on National Public Lands Day in 2006, the BLM enlisted more than 10,000 volunteers of all ages, backgrounds, and skill levels in projects and educational activities at 109 sites from Alaska to Florida. Last year, in commemoration of the centennial of the Antiquities Act, nearly half of the BLM’s National Public Lands Day projects featured at least one component that focused on heritage (archaeological, historic, or fossil) resources.



A handwritten signature in black ink, appearing to read "James H. Lowell". The signature is fluid and cursive, written over a white background.

The BLM must be ever mindful of our obligation to be responsible stewards of the American taxpayers’ dollars, and we must align our resources to the areas that need the greatest attention. In the BLM, that means using a performance-based approach to focus our resources and our efforts on the highest priority areas. The BLM has identified four strategic areas of focus, which are in support of the Department of the Interior’s strategic plan: (1) resource protection, which involves protecting the nation’s natural, cultural, and heritage resources; (2) resource use, which involves improving resource management to ensure responsible use and sustain a dynamic economy; (3) recreation, which involves improving recreation opportunities for America; and (4) serving communities, which involves improving protection of lives, resources, and property.

In the pages that follow, we detail our agency’s ongoing efforts to ensure the health and productivity of the nation’s public lands through complete and reliable performance and financial data. The BLM has two identified material weaknesses at this time associated with the audit of its 2007 financial statements. We have identified remedies for the deficiencies. The BLM has received an unqualified audit opinion on its fiscal year FY 2007 financial statements, and we have issued our management’s statement of assurance under the Federal Managers’ Financial Integrity Act (FMFIA). The statement, as well as a detailed assessment of reliability and plans for addressing deficiencies can be found in the “Systems, Controls, and Legal Compliance” section of this report.

To all of our partners and stakeholders who have contributed to this progress over the past year, we extend our deepest appreciation, and we look forward to working with you in the new and promising era of cooperative conservation. Through this collaborative approach, the BLM will fulfill its multiple-use mission, enabling westerners and all Americans to use and enjoy their public lands, both now and in the future.



# Message from the Chief Financial Officer

As the Chief Financial Officer, I am pleased to issue our 2007 performance and accountability report on behalf of the employees of the Bureau of Land Management (BLM). This report integrates performance results, audited financial statements, and other information to better meet the information needs of Congress and the public, as well as to help us improve our internal operations. Through this report, we hold ourselves accountable to the public for effectively and efficiently fulfilling the important mission of the BLM. We use the results identified herein to improve our strategies and our resource management decisions.

In this report, we have enhanced our disclosures by expanding the quality and quantity of the information we provide. For example, this report includes:

- How the budget relates to the results we produce at a disaggregated level
- What we produce for what we spend at a disaggregated level
- Our approaches to meeting our requirements and achieving our goals
- What our performance results achieve for the public





Looking back on this past year, I am pleased to report a number of achievements and a strong financial position for the BLM. Successfully achieving the BLM's mission requires strong internal business and support service functions. More than ever, today's business environment demands timely and accurate information to support our changing program needs. We must ensure that the business information and tools we provide to BLM employees add value in accomplishing the Bureau's work. All this brings to the forefront the importance of a sound business operation to manage and control resources and to assure that we use our resources as efficiently as possible. Reliance on the integrity of our financial management systems, processes, and data continues to grow in importance as business information becomes increasingly critical to informed decisionmaking.

This year, the BLM sustained its unqualified audit opinion on its financial statements for the 13<sup>th</sup> consecutive year. Achieving this performance benchmark is evidence of our focus and progress toward accountability, internal controls, and data integrity. In addition, the BLM has sustained its "green" rating for improved financial management on the President's Management Agenda scorecard for the second year in a row. The green rating was achieved by meeting all of the Office of Management and Budget's (OMB's) rating criteria for financial management.

There are no outstanding material weaknesses reported for BLM's programs; however, there are two material weaknesses identified in the audit of our 2007 financial statements. Although not material, the audit of our financial statements for 2006 produced one reportable condition involving mineral leases. This reportable condition will not be totally corrected until FY 2008. There was also one finding relating to the condition of museum collections that was classified as both a significant deficiency and a compliance issue. This item was corrected and closed in March 2007. Eleven management letter comments were also received. Of the 11 management letter comments, 10 have been corrected and closed. The remaining management letter comment will not be totally resolved until FY 2008. We are experiencing no major impediments to making these corrections. There are no outstanding audit findings remaining from fiscal periods prior to 2006.

Through the individual leadership and collaborative efforts of BLM managers, employees, business partners, and other stakeholders, we made significant strides in advancing the Bureau's record of excellence in financial management during 2007, and we look forward to continued progress in the coming years.



*Michael A. Ferguson*



# Management's Discussion and Analysis

## About This Report

“The Bureau of Land Management’s Performance and Accountability Report for Fiscal Year 2007” (PAR) provides performance and financial information that enables Congress, the President, and the public to assess the Bureau’s performance relative to its mission and stewardship of the resources entrusted to it. This PAR satisfies the reporting requirements of the following legislation:

- Chief Financial Officers Act of 1990
- Government Performance and Results Act of 1993
- Government Management Reform Act of 1994
- Reports Consolidation Act of 2000

Under the Reports Consolidation Act of 2000, agencies are permitted to submit combined financial and performance management reports required by statute to improve efficiency within the executive branch. This PAR combines the annual performance report required by the Government Performance and Results Act of 1993 with annual financial statements required under the Chief Financial Officers Act of 1990, as amended by the Government Management Reform Act of 1994, and other reports such as management assurances of internal controls and Inspector General assessments of an agency’s management challenges.

The PAR is organized as follows:

**Part 1: Management’s Discussion and Analysis** – The “Management’s Discussion and Analysis” section provides a summary of the entire PAR. It includes an operational overview; a summary of the most important performance results and challenges for fiscal

year (FY) 2007; a brief analysis of financial performance; a brief description of systems, controls, and legal compliance; information on the Bureau’s progress in implementing the President’s Management Agenda; and the management challenges identified by the Department of the Interior’s Inspector General as they relate to the BLM.

**Part 2: Performance Report** – The “Performance Report” section contains the annual program performance information required by the Government Performance and Results Act (GPRA) and includes all of the required elements of an annual program performance report as specified in OMB Circular A-11, *Preparation, Submission, and Execution of the Budget*. The results are presented by strategic goal and are included on the accompanying CD.

**Part 3: Principal Financial Statements** – The “Principal Financial Statements” section contains the Bureau’s financial statements, notes, required supplementary information, and other supplementary information pertaining to the Bureau’s stewardship of Federal assets, related Inspector General’s Audit Report, and other information.

**Part 4: Other Accompanying Information** – This section contains a glossary of acronyms and abbreviations, a list of tables and figures, and other information to help the reader understand the content of this PAR.

You may view this report online at <http://www.blm.gov>. You may also have additional copies of the report mailed to you by writing a request to:

Bureau of Land Management  
Assistant Director,  
Business and Fiscal Resources  
Mail Stop 5624  
1849 C Street N.W.  
Washington, DC 20240





## Bureau Overview

### Our Mission and Vision

The mission of the BLM is to sustain the health, diversity, and productivity of the public lands for the use and enjoyment of present and future generations.

Our vision is to enhance the quality of life for all citizens through the balanced stewardship of America’s public lands and resources.

### Our Programs

#### What We Do

The BLM, an agency of the U.S. Department of the Interior, administers 256 million surface acres—more land than any other Federal agency. The BLM also manages 700 million acres of subsurface mineral estate across the nation. With a budget of about \$2 billion in appropriated funds, the Bureau manages these public lands for multiple uses in accordance with the 1976 Federal Land Policy and Management Act. These lands are some of the most ecologically and culturally diverse and scientifically important lands belonging

to the Federal Government, and they are important for domestic energy and mineral resources as well. The BLM manages the vast resources associated with the public lands by focusing on four strategic areas as shown in table 1. These strategic areas support the goals in the Department of the Interior’s strategic plan.

#### Who We Serve

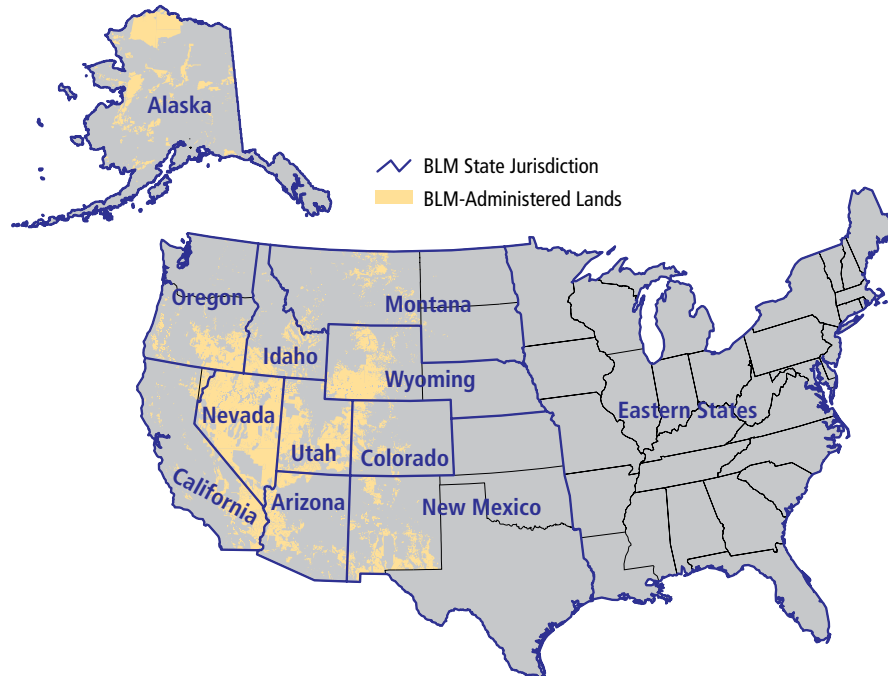
The public lands are an asset belonging to all Americans. Most BLM-managed surface land is located in 12 western states, including Alaska (figure 1). The lands administered by the BLM contain myriad natural, cultural, and historical resources and serve a variety of our nation’s needs and values, including domestic energy, livestock grazing, outdoor recreation, wildlife habitat, and timber.

Though the lands managed by the BLM were once remote, they are now within reach of major metropolitan areas due to the population boom in the West. According to the U.S. Census Bureau, many of the fastest growing cities and smaller communities over the last 6 years have been located in the West. As a result of such growth, 40 percent of BLM-managed lands are now located within a day’s drive of 16 major urban centers in the

**Table 1.** Strategic Focus Areas

Strategic Goals	Strategic Outcome Goals
<b>Resource Protection:</b> Protect the nation’s natural, cultural, and heritage resources	Improve the health of landscapes and watersheds
	Sustain biological communities
	Protect cultural and natural heritage resources
<b>Resource Use:</b> Improve resource management to ensure responsible use and sustain a dynamic economy	Manage or influence resource use to enhance public benefit, promote responsible development, and ensure appropriate value for:
	Fossil fuels energy (oil, gas, and coal)
	Renewable energy (geothermal, wind, and solar)
	Forage (grazing)
	Forest products
	Nonenergy minerals
<b>Recreation:</b> Improve recreation opportunities for America	Provide a quality recreation experience and visitor enjoyment
<b>Serving Communities:</b> Improve protection of lives, resources, and property	Protect lives, resources, and property



**Figure 1.** BLM-Administered Lands

West, including Reno, Las Vegas, Denver, Boise, Salt Lake, Albuquerque, San Diego, and Los Angeles.

In this fast-changing, fast-growing West, pressure on the BLM to meet complex, and sometimes competing, demands for public land and mineral resources has risen to historical highs. But to meet these demands, the BLM cannot and does not try to “go it alone” in managing the public lands. With a staff of about 10,600 full-time employees, the Bureau works with agencies, groups, and individuals at the national, state, and local levels. This management approach, known as cooperative conservation, seeks to strengthen partnerships and promote citizen stewardship. Through this collaborative approach, the BLM will fulfill its multiple-use mission, enabling westerners and all Americans to use and enjoy their public lands, both now and in the generations to come.

### How Our Programs Benefit the Public

#### **Resource Protection**

The public benefits from improving the health of landscapes and watersheds and

from sustaining biological communities. Public lands are part of the ecological “bank” that sustains us all—fish, wildlife, plants, and people. The soil, water, and air overlying the geologic parent material provide for plants that form habitat for wildlife and make shade and filter water for fish. When we care for and nurture that “capital” in our bank—we protect the soil, water, and air and the ecosystems we manage are properly functioning—there is a certain amount of “interest” we can draw from our public lands. This “interest” can be in the form of a mix of goods, services, and cultural values, such as harvestable fish, game, forage for livestock, timber for building or heating, scenery to soothe the soul, and a host of other tangibles and intangibles.

BLM’s job is to protect the bank and the capital and to provide the interest to the public such that it will be available for present and future generations and that the options for what to do with the interest are kept open as needs change. Congress set us on this course with the key words in the Federal Land Policy and Management Act—multiple use and sustained yield.

When we restore a mile of stream, rehabilitate a burned hillside, remove invasive



weeds from a native shrubland, or work with others to reestablish an endangered fish, we are improving or building that resource capital and providing more options for the future. Our conservation actions are a key to sustainability—maintaining that capital. Restoration activities heal overused or damaged areas and make them healthy and productive. Mitigation activities minimize impacts from needed uses we authorize on the public lands. Together they keep our public lands capital intact and sustain that yield of goods, services, and cultural values that we depend on. Our performance measures are direct or indirect measures of keeping that capital healthy and growing.

The public also benefits from the protection of cultural and natural heritage resources. Fossil and cultural resources are important for economic, scientific, recreational, cultural, and educational purposes. Consider that the mere mention of *Tyrannosaurus rex*, *Allosaurus*, or *Triceratops* sends the imagination soaring and fascinates children and adults alike. Similarly, consider how the mention of such topics as the “disappearance” of Ancestral Puebloans stirs wild speculation about what might have happened to these denizens of the past. This public fascination translates into recreational opportunities and economic benefits for communities that adjoin public lands, providing gateways to some of the awe-inspiring ruins and fossil traces of the past, including the museum exhibits based on the actual finds. Needless to say, the prehistoric ruins and traces of the past are also of considerable cultural importance to contemporary Indian communities having links to the public lands that continue to this day. BLM’s cultural and paleontological resources also offer almost limitless educational opportunities to America’s teachers, who constantly look for ways to enrich their lessons and make the past come alive.

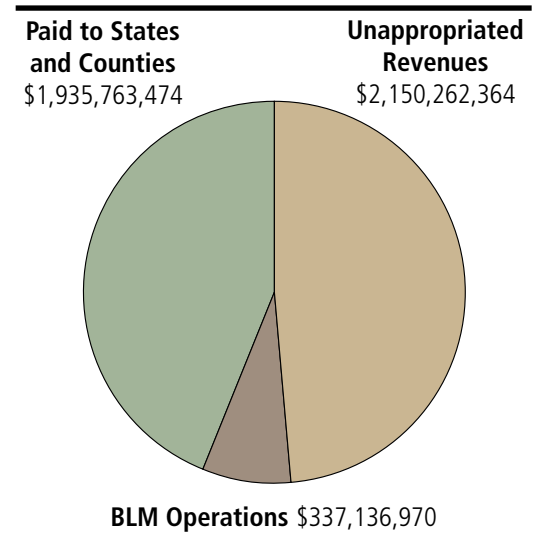
**Resource Use**

The benefits the public lands yield are enormous in terms of cultural and heritage values, recreation, conservation for future

generations, quality of life, and economic value, to name few. For example, just the economic value alone that accrues to the public far exceeds BLM’s cost to administer these lands. As shown in figure 2, the revenues generated from the public lands in 2007 amounted to nearly \$4.5 billion. About 43 percent of those revenues was returned directly to the economy through payments to states and counties. About 49 percent of revenues was returned to the General Fund of the U.S. Treasury and thereby indirectly to the American people. The remaining 8 percent was used to fund BLM operations.

The public benefits when the BLM promotes responsible development and ensures appropriate value for:

**Figure 2.** Disposition of BLM-Generated 2007 Revenues



**Energy—Oil, Gas, and Coal:** Federal lands and waters account for 30 percent of domestic energy production. Currently over 5 percent of our domestic oil production and over 11 percent of our domestic natural gas production comes from onshore Federal oil and gas leases (FY 2006). The efforts of the BLM are helping to reduce the nation’s dependence on imports of foreign oil and gas.

Coal is another energy mineral managed by the BLM that is vitally important to the nation’s economy and our standard of living. One half of the nation’s electricity



is generated from coal, and just under half of that production comes from Federal coal leases. One out of every five homes uses electricity generated from coal removed from Federal lands. Annual coal production is slightly more than 1 billion tons, and demand for coal is expected to increase to nearly 2 billion tons over the next 25 years. Much of the projected increases must come from Federal reserves in the western states. Over the last 15 years, the amount of coal produced from Federal leases has gone from 31 percent in 1993 to 46 percent in 2004.

**Renewable Energy—Geothermal, Wind, and Solar:** The BLM plays a key role in making renewable energy resources on the public lands available to meet our nation's energy demands. Although renewable energy from geothermal, wind, and solar energy resources represents only a fraction of the nation's total energy portfolio, there is much potential for growth, particularly on western public lands managed by the BLM. In response to recommendations in the President's National Energy Policy of 2001 and mandates of the Energy Policy Act of 2005, the BLM has made great strides in promoting the development of renewable energy resources. Public lands currently contribute almost half of the nation's geothermal energy and 5 percent of our wind energy. We expect continued increased demand for the development of renewable energy resources from the public lands.

In response to recommendations in the 2001 National Energy Policy, the BLM initiated an assessment of geothermal, wind, and solar energy resources on the public lands. This assessment, completed in 2003, highlighted those BLM planning areas with high potential for renewable energy development. The BLM has issued direction to all field offices requiring consideration of renewable energy development in all future BLM planning efforts. The agency has also adopted policies to authorize the development of wind and solar energy resources on the public lands.

**Forage—Grazing:** Livestock grazing provides agricultural products that help

feed our nation. The fees collected from public land grazing permits and leases are distributed among the BLM, the state in which they were generated, and the U.S. Treasury. The funds distributed to the BLM are used for range improvements, including vegetation treatments and weed management; structural livestock management facilities; riparian area and stream improvements; and wildlife habitat improvements. Not only is livestock grazing on public land sustainable, but it can also be used as a tool to influence plant community composition and achieve other resource objectives. Livestock grazing has been used to reduce fine fuels and therefore wildfire potential, to reduce the reproduction and spread of certain invasive plant species, and to improve specific habitat characteristics or forage quality that support specific wildlife species.

Since much of the West was not suitable for more intensive agriculture, raising livestock became a dominant industry that significantly influenced the early development of the region. Ranching continues to be an important economic and cultural component of many of the West's rural communities, and many of those ranches depend on forage produced on public land as a critical part of their yearlong operation. Those communities that are not economically diverse and have limited ability to develop recreation-related industries are particularly dependent upon ranching as an economic base.

Livestock grazing on public land can also provide benefits for some of the more populated communities as well. As urban population centers in the West increase and private lands are developed for housing, maintaining ranches that can promote open space becomes more important. These ranches promote native plant communities, habitat for wildlife, and clean water, which can provide scarce benefits as neighboring lands are increasingly developed for more intensive residential and commercial uses.

**Forest Products:** To accomplish the primary objectives of improving forest health and managing for a sustained yield of forest products, the BLM annually completes approximately 67,000 acres of treatments



using timber sales, stewardship contracts, and service contracts. In 2007, the BLM received in excess of \$39 million from the sale of timber and other forest products. From the \$35 million in revenues generated on the Oregon and California grant lands, under the revenue sharing provisions of the Oregon and California Grant Lands Act, the 18 western Oregon counties would receive approximately \$17,500,000, or 50 percent, of the revenues. Additionally, for example, the annual sale of 255 million board feet of timber generates more than 2,400 much needed jobs in the local and rural communities of the West. The BLM annually issues more than 24,000 special forest products permits across the West to individuals for the collection of firewood, Christmas trees, mushrooms, posts and poles, and a wide variety of other forest products.

To advance the goals of the Healthy Forests Restoration Act, the Energy Policy Act, and the National Fire Plan, the BLM, working with its partners, has developed markets for biomass, exploring new contracting methods while modifying existing databases to capture the volume of biomass offered. Projects have been focused in areas that have the greatest potential for woody biomass utilization and are leveraged with treatments funded by other resources. Between 2004 and 2006, the volume of biomass offered increased from 31,000 tons to 122,000 tons per year. However, in FY 2007, the quantity offered declined to about 100,000 tons.

***Nonenergy Minerals:*** In FY 2007, Federal leasing of nonenergy, solid minerals had a value of over \$45 million, and new mineral materials contracts and permits had a value of over \$52 million. Public demand is highly variable. For example, although the number of contracts and permits requested declined 10 percent in FY 2007, the applications involved 45 million cubic yards of mineral materials, an 18 percent increase from FY 2006.

The general public, industry, and government receive substantial direct and indirect economic benefits that greatly exceed the cost of these programs. Royalty revenue

and savings to the Government alone are on the order of ten times the cost of the appropriations. As an example, the cost of appropriations for BLM's work in FY 2007 was \$8.7 million for processing mineral materials contracts and permits that had a value to the U.S. Treasury and states of \$52.9 million. The value of finished products, the related employment, and contributions to the local, regional, and national economies is many times greater.

### ***Recreation***

Recreation on BLM public land provides significant physical, mental, and social health benefits, along with economic benefits, to individuals and their local communities and states. The BLM is required under the Federal Land Policy and Management Act of 1976, as well as other laws, rules, regulations, and policy, to guide the way it manages recreation within a multiple-use setting. The BLM strives to meet visitor demands for adventure, renewal, and open spaces, while maintaining conditions that conserve the land and create sustainable recreation-related benefits for visitors and their communities. BLM-managed public lands provide visitors with more diverse recreation opportunities, across broader geographic areas, than those of any other Federal agency.

The unique and diverse natural landscapes and world-class visitor facilities and programs on BLM-managed lands are among America's greatest treasures, and most of these lands and waters are open for some form of recreational use. Recreational uses contribute to our quality of life by reducing depression, relieving stress, and improving self-esteem and personal growth, along with helping to control obesity, boost the immune system, diminish the risk of disease, and increase life expectancy. Economically, expenditures by the public for recreation on public land support tens of thousands of jobs and contribute significantly to the viability of thousands of small businesses, especially outfitting, guiding, and tourism-related companies and community service providers that depend on both access to, and the availability of, the public land. While



public land represents a place to have quality recreational experiences at a relatively low cost to visitors, especially in dispersed nonfee areas, the economic impact is significant, especially to gateway communities.

**Serving Communities**

The BLM provides protection, land, and funding to local communities through various programs. For example, land sales, in part, allow for expansion of a local community or provide Native Alaskans with ancestral lands. Land acquisitions provide for improved management of wildlife habitat or the protection of archaeological and historical resources—both of which are long-term investments for the future. Development of community wildfire protection plans prevents losses to communities of homes, infrastructure, and lives. In most states, the BLM hires fire crew personnel and invests in fire engines and water tenders to perform initial attack of fires before they become large. Initial attacks result in the suppression of the majority of wildland fires.

Appropriated funds have been used responsibly on behalf of the nation’s communities. To date, 93.6 million acres have been transferred to the State of Alaska and 38.3 million acres have been transferred to Native Alaskan Corporations as investments in their futures. The Southern Nevada Public Land Management Act has resulted in a \$3 billion program that funds the development of flood control, schools, trails, conservation of habitats, and other investments for the residents of Nevada.

Programs such as these rely heavily on working with local communities and partners. Much of what the BLM achieves is done through collaboration and conflict resolution, which is necessary when planning decisions present a conflict for some user groups. For example, community wildfire protection plan goals are met through the direct participation of fuels and resource specialists working with community members. The BLM provides hazard maps, information on historical fires, and other resource information. BLM fuels specialists and other resource specialists meet with

community members, local government, and other agencies to share information and develop a mitigation plan to reduce the risk of wildland fire.

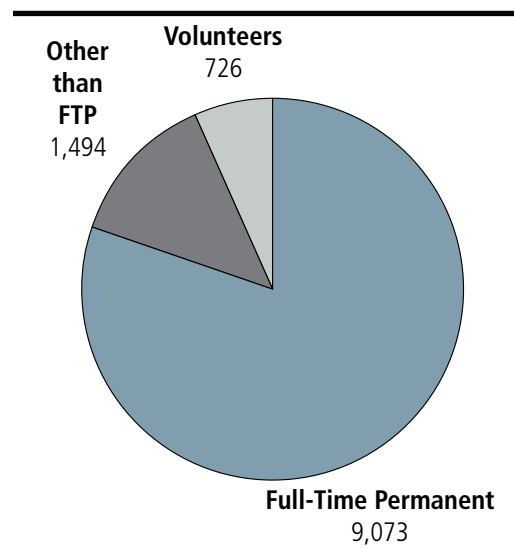
**Our Resources**

**Our People**

Our workforce comprises about 10,600 employees (figure 3) located at over 170 headquarters, state, field, and national center offices. In managing the nation’s vast public land holdings for multiple uses, our workforce performs many tasks: resource inventory, land use planning, environmental impact assessment, land surveying, road construction, fish and wildlife habitat restoration, and resource condition monitoring, to name a few.

Figure 3 shows the distribution of BLM’s full-time equivalent workforce by full-time permanent employees, other than full-time permanent employees, and volunteers. In figure 3, full-time permanent (FTP) means those employees who work full time (40 hours per week) and are on a permanent appointment. The number of full-time permanent employees, other than full-time permanent employees, and volunteers are measured in full-time equivalents (FTEs).

**Figure 3.** BLM’s 2007 Workforce (in Full-Time Equivalents)





Full-time equivalents are determined by dividing the number of hours worked by employees with certain employment types by the number of hours worked by one full-time permanent employee (generally 2,087 hours).

Figure 4 shows the size of the BLM workforce by month. In figure 4, total employment means the total number of employees regardless of appointment type. In this figure, employee means the number of people in lieu of full-time equivalents as shown in the preceding figure.

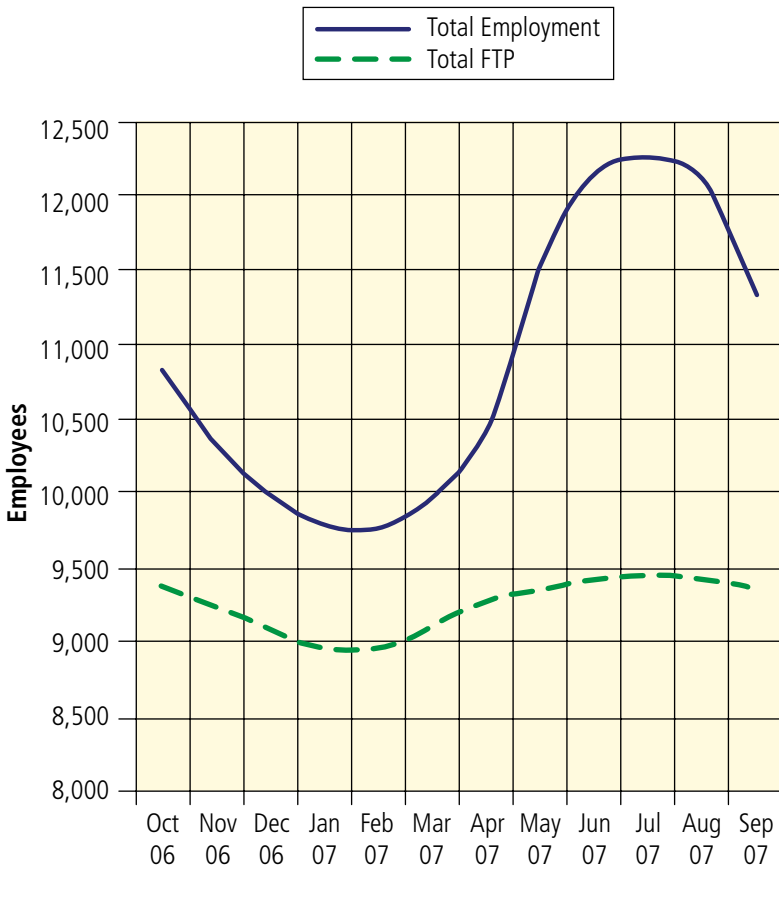
As figure 4 shows, the size of our workforce fluctuates considerably based on season—it decreases in January and February and peaks in June, July, and August. Much of BLM’s work is done outdoors, so there is an increase in staffing during the warmer part of the year. Some of this additional staffing is for fighting fires; therefore, the level of increases is dependent upon the severity and length of the fire season.

### Our Organization

The BLM has a combination of national, state, and local offices, about 170 in total (figure 5). This organizational and management structure helps the BLM achieve its mission and provide better service to a wide range of public groups. The combination of national, state, and local offices provides an organization that:

- Is adaptable to national, regional, and local needs;
- Provides service at the national, regional, and local levels;
- Accomplishes short-term and long-term mission goals;
- Emphasizes on-the-ground performance and productivity; and
- Encourages creativity in meeting public needs.

**Figure 4.** 2007 Employee Count by Month



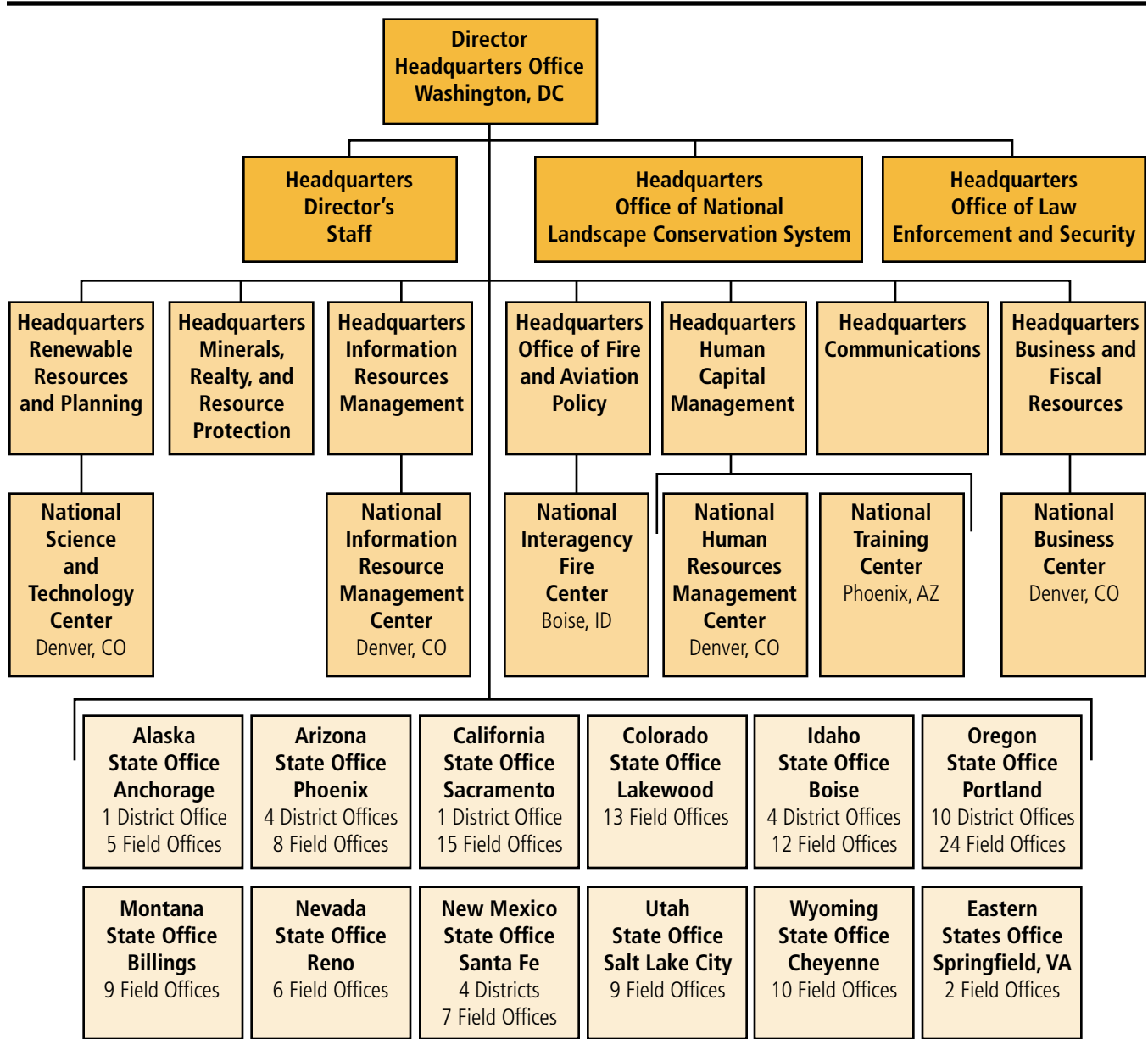
The BLM’s organization places authority, responsibility, and accountability at the lowest appropriate level, usually within the district offices and field offices. Management direction and review from state offices and the BLM headquarters office ensures that all activities are consistent with national policy and objectives. This management approach, which combines direction, delegation, and review, is responsive to public land interests and effectively and efficiently accomplishes the Bureau’s mission.

### Our Budget

Funds for most BLM day-to-day operations are appropriated annually by Congress, and over half of that funding comes from the Management of Lands and Resources appropriation. Also, a significant amount is appropriated in the Wildland Fire Management appropriation, which is used to prevent wildland fires and to fight them when they occur. The Wildland Fire Management appropriation also includes funds that are



Figure 5. BLM 2007 Organization Chart.

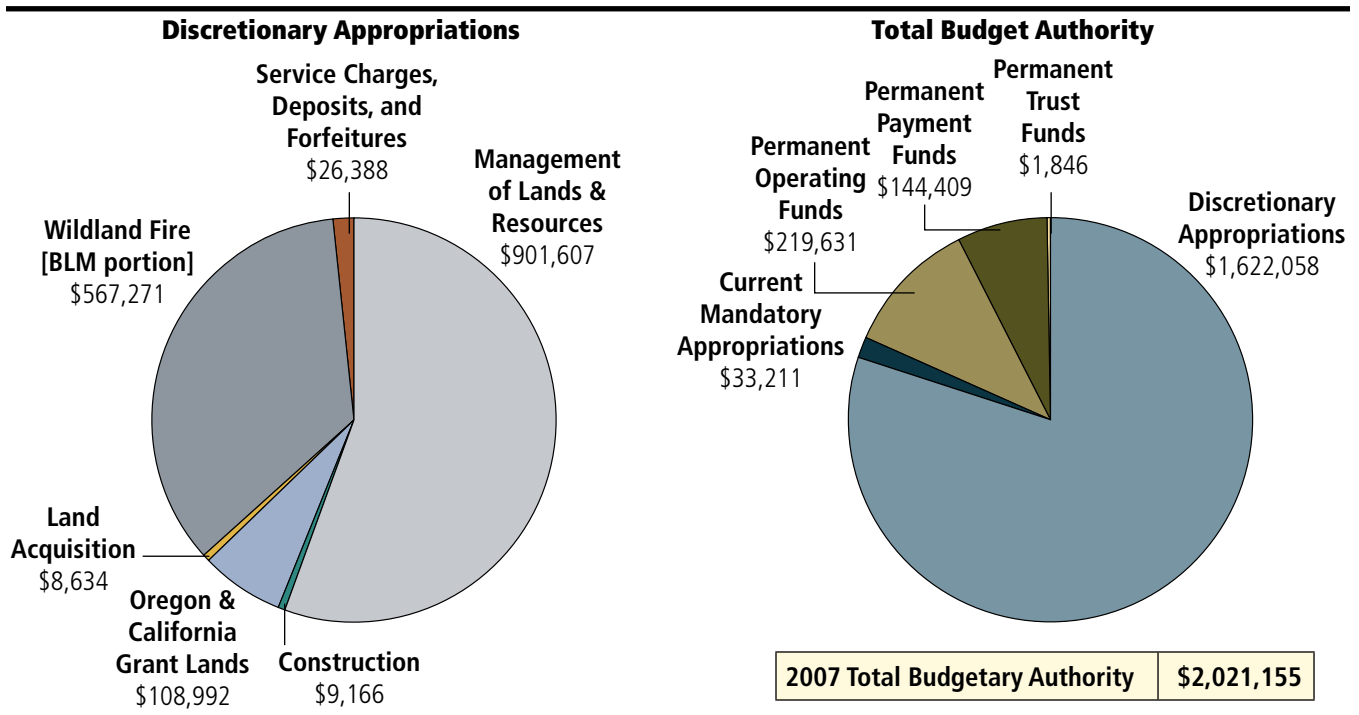




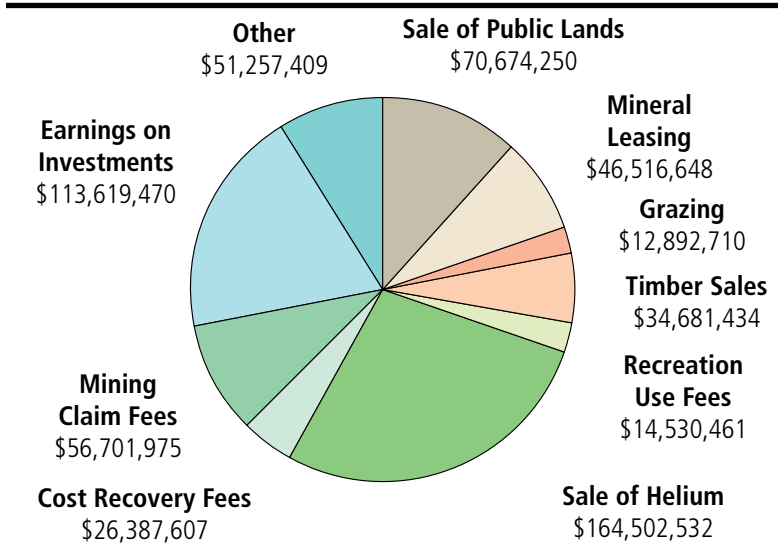
transferred to the National Park Service, the Fish and Wildlife Service, and the Bureau of Indian Affairs for preventing and suppressing fires. Over 90 percent of BLM's employees are paid from these appropriations. In addition, the BLM receives four smaller appropriations for specific purposes, such as for major construction projects, land acquisition, and Oregon and California grant lands (figure 6).

Congress also has enacted permanent authority for the BLM to collect revenue and to spend some of it either to pay states and counties or to fund BLM activities, including recreation on public lands, timber management, energy development, and acquisition of environmentally sensitive lands (figures 7 and 8). Payments to states and counties are intended to offset the reduction in state and local tax revenues due to the

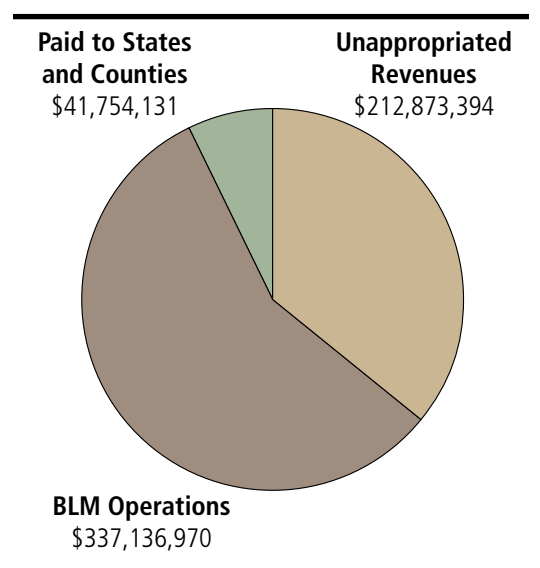
**Figure 6.** 2007 Discretionary Appropriations and Total Budget Authority (dollars in 000)



**Figure 7.** 2007 Revenues by Source (excluding Minerals Management Service Mineral Collections)



**Figure 8.** Disposition of BLM Revenues in FY 2007





ownership of these lands by the Federal Government.

BLM’s total funding from appropriations and undistributed revenues was about \$2 billion for FY 2007. Spending by the BLM is prioritized and allocated so that its programs will achieve its four broad strategic goals and will meet or exceed more specific outcomes related to those goals. Figures 9 and 10 show the budgetary resources used to accomplish our strategic goals and our strategic outcome goals.

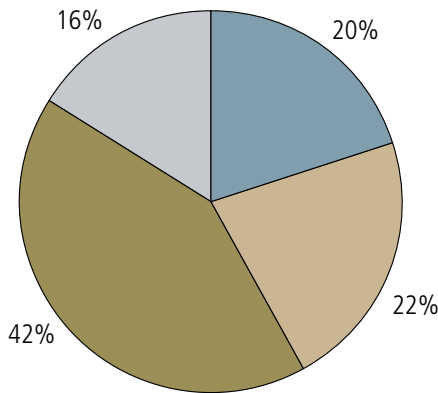
The use of budgetary resources shown in figures 9 and 10 excludes approximately \$47.5 million associated with BLM’s Working Capital Fund.

### Our Leadership and Governance

The BLM has several leadership groups and activities in place, and some of the accomplishments of each are listed in table 2.

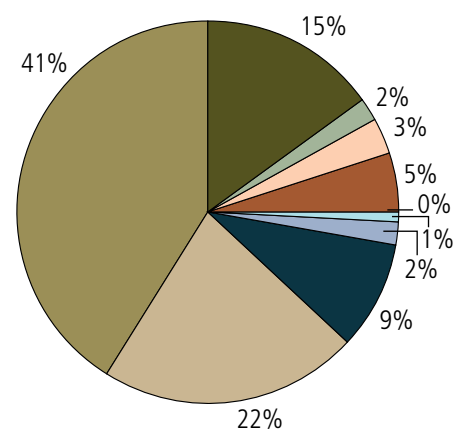
**Figure 9.** Budgetary Resources Used by Strategic Goal

2007 Budget Applied by Strategic Goal		
Resource Protection	20%	\$ 517,172,409
Recreation	22%	\$ 565,264,577
Serving Communities	42%	\$1,086,168,982
Resource Use	16%	\$ 413,884,573
<b>Total</b>		<b>\$2,582,490,541</b>



**Figure 10.** Budgetary Resources Used by Strategic Outcome Goal

2007 Budget Applied by Strategic Goal		
Improve health of landscapes and watersheds	15%	\$ 392,336,979
Sustain biological communities	2%	\$ 51,291,786
Protect cultural and natural heritage	3%	\$ 73,543,644
Manage or influence resource use to enhance public benefit, promote responsible development, and ensure appropriate value for:		
Fossil Fuels Energy	5%	\$ 125,170,050
Renewable Energy	0%	\$ —
Forage	1%	\$ 22,843,661
Forest Products	2%	\$ 44,733,034
Nonenergy Minerals	9%	\$ 221,137,828
Provide for a quality recreation experience and visitor enjoyment	22%	\$ 565,264,577
Protect lives, resources and property	41%	\$1,086,168,982
<b>Total</b>		<b>\$2,582,490,541</b>





**Table 2.** Leadership Accomplishments

Governance	Major Actions in 2007
<b>Executive Leadership Team</b>	
<p>The Executive Leadership Team (ELT), chaired by the Director, serves as a strategic and decisional committee composed of the senior leadership of the BLM. The Executive Leadership Team has weekly conference calls and convenes on a quarterly basis to focus on Bureauwide management issues and to discuss and resolve major policy issues.</p> <p>The primary objectives of the Executive Leadership Team are to set national program and budget priorities based on the Department of the Interior’s strategic plan, establish BLM’s personnel policies, and monitor BLM’s progress to ensure goals and objectives are met.</p>	<p>The ELT accomplished the following actions:</p> <ul style="list-style-type: none"> <li>• Improved customer service and helped to deliver seamless service in the areas of joint land use planning and natural resources management, in cooperation with the U.S. Forest Service, through the Service First Initiative.</li> <li>• Capitalized on partnerships and cooperative conservation to jump-start the Healthy Lands Initiative, which emphasizes a landscape-level approach that achieves accelerated results in meeting resource management challenges. The initiative will enable local BLM managers to set priorities and mitigate impacts to resources in ways not previously available to them.</li> <li>• Began implementation of the BLM’s Managing for Excellence Initiative, including establishing a National Operations Center. The aim of the initiative is to improve customer service, work more efficiently, and manage our public lands more effectively by centralizing most human resource management and certain information technology functions, streamlining operational science and scarce skills functions at the National Operations Center, and centralizing the acquisition function into specialty zones.</li> <li>• Launched “Take It Outside—Connect with Your Public Lands,” a program to bring children and families closer to their public lands. This program will bring together and expand many of the BLM’s already-successful programs that engage children and families in the outdoors by focusing on the key areas of schools, youth organizations, and families.</li> </ul>
<b>Field Committee</b>	
<p>The Field Committee is an operational and decisionmaking group composed of Associate State Directors, Deputy Assistant Directors, and the Deputy Director of Fire and Aviation. It is chaired on a rotational basis by an appointed member of the group. This group has a monthly conference call and meets three to four times a year. The Field Committee has direct representation to the Executive Leadership Team through the BLM Deputy Director.</p>	<p>The Field Committee accomplished the following actions:</p> <ul style="list-style-type: none"> <li>• Facilitated the strategic and operational execution of the Department of the Interior’s strategic plan ensuring goals and objectives were met.</li> <li>• Served as a forum to scope and solve national-level problems and issues to develop Bureauwide recommendations for consideration by the ELT and to implement decisions.</li> <li>• Provided an implementation strategy for the critical wild horse and burro budget and program management.</li> <li>• Provided executive level review and approval of the Office of Management and Budget Circular A-123, <i>Management Accountability and Control</i>, process.</li> <li>• Provided an implementation strategy for the Healthy Lands Initiative.</li> <li>• Provided guidance and an implementation strategy for fire-related organizational changes.</li> <li>• Provided guidance and implementation for a regional approach to emergency stabilization and fire rehabilitation.</li> <li>• Provided a working team for streamlining the Federal Register process.</li> </ul>
<b>Information Technology Investment Board</b>	
<p>This board is composed of six Assistant Directors, two State Directors, one Associate State Director, and two Field Managers and is chaired by the Chief Information Officer. The board provides guidance and direction to the information technology staffs of the BLM.</p>	<p>The Information Technology Investment Board accomplished the following actions:</p> <ul style="list-style-type: none"> <li>• Ensured that all information technology investments supported the mission of the Bureau.</li> <li>• Reviewed and approved the information technology portfolio for budget year 2009 based on board-developed strategic rating and ranking criteria (objectives).</li> <li>• Communicated all board decisions to executives and line managers as published meeting minutes on the information technology investment board website.</li> <li>• Ensured all BLM information technology investments followed the BLM capital planning and investment control process.</li> <li>• Monitored all information technology investment projects to ensure adherence to scope, schedule, and budget.</li> </ul>



**Table 2.** Leadership Accomplishments *(continued)*

Governance	Major Actions in 2007
<b>Budget Strategy Team</b>	
The Budget Strategy Team is composed of nine Assistant Directors, one State Director, one Associate State Director, one State Budget Officer, and two Field Managers and is chaired by the Bureau Budget Officer. This team provides guidance and direction for BLM’s budget process.	The Budget Strategy Team accomplished the following actions: <ul style="list-style-type: none"> <li>• Determined the funding amounts for major projects.</li> <li>• Guided the Division of Budget in developing strategies for formulating and presenting the budget to the Department, Office of Management and Budget, and Congress.</li> <li>• Set priorities for funding by revising the priority management areas that will guide the BLM through 2012.</li> </ul>
<b>Monthly Performance Reviews</b>	
The Deputy Director conducts monthly performance reviews with senior leaders to ensure that the BLM is on target to meet our commitments and achieve our mission.	The monthly performance reviews monitor progress toward meeting: <ul style="list-style-type: none"> <li>• Performance measure targets.</li> <li>• Workload targets (activity-based costing work activity targets).</li> <li>• Objectives established under BLM’s management by objectives program (43 objectives).</li> <li>• Established goals for correction and closure of Government Accountability Office and Office of Inspector General audit findings.</li> <li>• Targets for alternative internal control reviews conducted in support of BLM’s annual assurance statement.</li> </ul>

## Integrated Management and Performance Framework

The full realm of BLM’s work is focused on achieving our mission and making measurable improvements in our service to the American people. The BLM has developed a management framework that provides a disciplined approach to resource management for improving performance, service quality, and customer satisfaction. Through this framework, we define what is important, establish the level of work and outputs to be accomplished, and determine the budget resources necessary to accomplish the specific activities (outputs) that, when aggregated, measure performance in terms of strategic outcomes or results.

In developing this management framework, the BLM has focused on integrating the concept of improving performance through informed decisions. By doing so, we are ensuring that a sustainable infrastructure permeates all levels of the

organization so that change is lasting and improvements are long term.

Integral components of the management framework are our activity-based cost/management system (ABC/M), or cost management, which provides financial data that enables us to track actual costs by work activity, and our performance management system, which facilitates the collection and reporting of performance information. Together, they provide accurate and timely information for assessing performance and for reallocating resources to achieve Bureau priorities and strategic performance goals. Figure 11 depicts this management framework, from planning and direction on the outer tier to processes for accomplishing our mission on the inner tier. At the center of the management tools tier is ABC/M. To integrate all of the functions within the framework, there must be common factors among the functions being integrated. ABC/M serves as that integrating factor for planning, program/mission, budget, and financial activities by translating what is produced (i.e., outputs/outcomes) into dollars (i.e., cost).



Figure 11. Management and Performance Framework

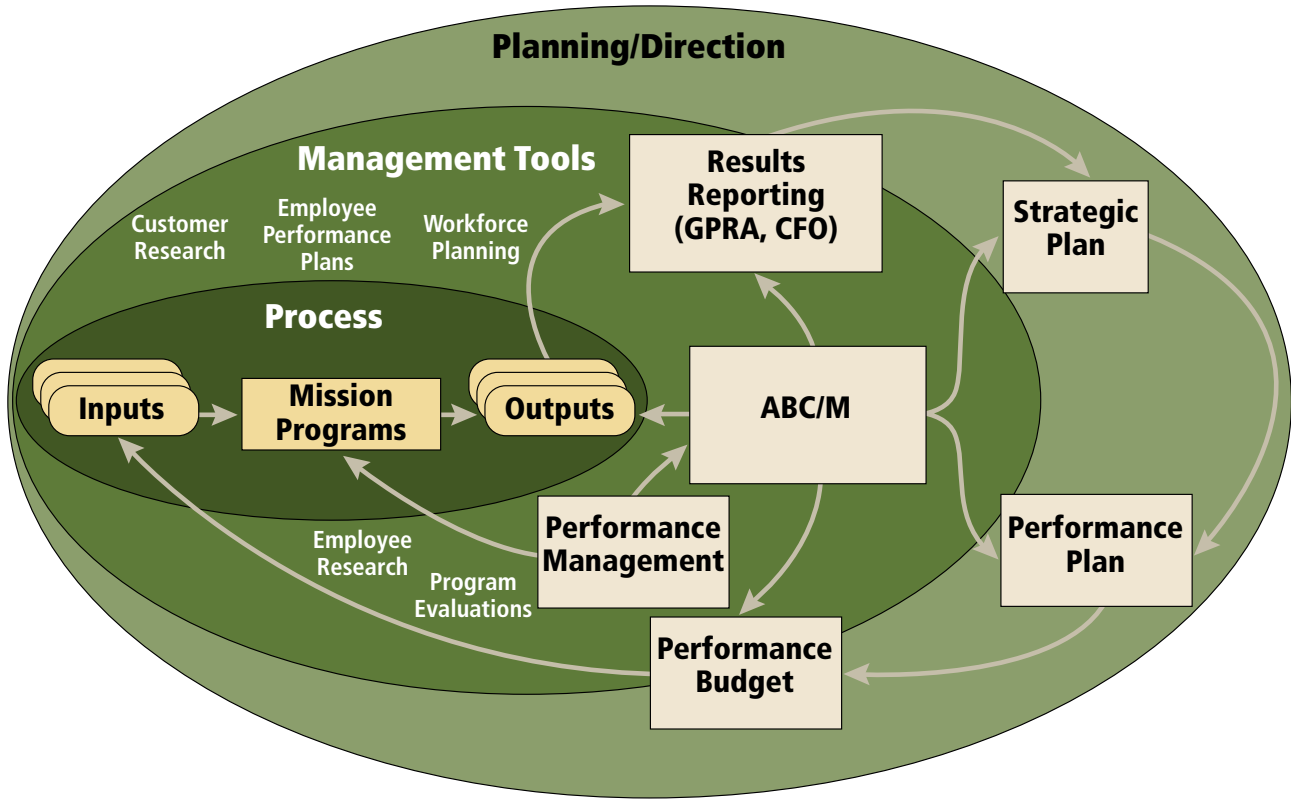


Figure 12 depicts the structure of the BLM strategic matrix, showing the essential linkages for cost management. Across the top are BLM’s strategic goals and strategic outcome goals. Down the left side there are nine primary work processes that the BLM employs to accomplish all of its work: providing outreach/customer service, assessing/inventorying condition/

status, performing planning, authorizing use, implementing BLM-initiated actions, performing monitoring, managing compliance, managing work, and sustaining the organization. Within each work process, there are specific work activities that are given a code called a program element. The BLM has about 230 of these work activities—about 200 of which produce outputs (outputs are not counted for managing programs and sustaining the organization). On the matrix, the program elements are categorized according to both the work process and the strategic outcome goal that they support. The full matrix can be found in Appendix A. A short description of the work processes can be found in Appendix B.

The relationships of work activities to strategic goals and to work process are one to one. This means that one work activity simultaneously supports one work process and one strategic goal, but it is not split or allocated to other work processes or strategic goals. This is illustrated in figure 12 by the red line flowing from the strategic goal downward to the cell containing the work

Figure 12. Strategic Matrix.

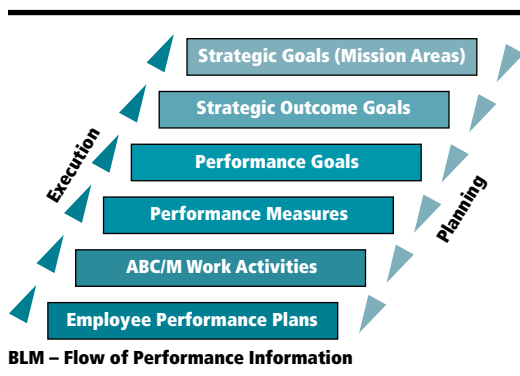
BLM Strategic Matrix	Strategic Goals				
	Strategic Outcome Goals				
Work Processes		ABC/M Program Elements/Outputs			

activity (program element) and across to the applicable work process. When a financial transaction (labor cost, travel, purchases, contracts, etc.) is entered into the financial management system, the cost structure contains both a funding source (budget subactivity) and work activity code, thus linking every aspect of BLM’s work to the budget. This information also forms the basis for segment reporting in the BLM’s Statement of Net Cost.

Although not depicted in figure 12, the BLM has also linked (one to one) all of its cost management work activities to specific performance measures for each strategic outcome goal. This allows the BLM to understand the cost of performance (outcomes) as well as the incremental cost of the outcomes achieved. The BLM categorizes its performance measures as either a cost measure or a support measure. There are no costs attributed to support measures for one of two reasons: (1) the support measure measures an important attribute of performance, but the costs are more appropriately attributed to another measure because the same work produces both the cost and support outcomes; or (2) the support measure is associated with a performance attribute that is not conducive to costing (injuries or fatalities for example). About one-half of BLM’s 146 performance measures are cost measures and the other half are support measures.

Figure 13 shows the flow of performance and cost information through planning and execution under this framework. This model has adapted well for the BLM through iterations of strategic plans, performance/

**Figure 13.** Information Flow



operating plans, and the Department of the Interior’s implementation of ABC/M in 2004. With 8 years of cost and performance data for approximately 200 output producing work activities identified down to the most subordinate organizational level readily available in its Cost Management System, the BLM has the capability to evaluate unit (marginal) costs and make reasoned determinations for outyear planned accomplishments based on current year funding levels and stated priorities of the Administration, Department of the Interior, and BLM’s Executive Leadership Team.

A simplistic example of the transformation needed to move typical financial accounting data toward useful program management information is displayed in figure 14, which shows two different views of the cost of land use

**Figure 14.** Example of Two Views of Land Use Planning Costs (data is for example only)

<b>Traditional Costing</b>	
Salaries and Benefits	\$11,693,664
Travel	793,878
Transportation of Things	140,291
Rents, Comm., Util.	187,210
Printing and Reproduction	330,864
Contractual Services	10,912,984
Supplies and Materials	652,011
Equipment	921,824
Grants and Subsidies	362,491
<b>Total</b>	<b>\$25,995,217</b>

<b>Activity-Based Costing</b>	
Evaluate Current Land Use Plan	\$1,715,684
Develop LUP Strategy	6,615,783
Develop Scoping Report	6,392,224
Develop Draft LUP/EIS	3,795,302
Draft LUP Amendment (EIS Level)	4,738,928
Complete Proposed LUP/Final EIS	93,583
Prepare Final Record of Decision	369,132
Prepare Amendment (EA Level)	1,432,336
Prepare Amendment (EIS Level)	842,245
<b>Total</b>	<b>\$25,995,217</b>

EIS = Environmental Impact Statement  
EA = Environmental Assessment



planning (LUP) (costs are not true, but are for example only). The traditional view on the top shows the costing of the inputs to the land use planning process. This view typically includes other cost elements such as organization and funding source. With cost management, nothing is deleted, but a new dimension is added—the dimension of outputs (what is produced by the land use planning process) is added to the mix of cost elements. The lower portion of the figure illustrates the benefits of this dimension. Although both views are useful for different purposes, the activity-based costing view better informs the decisions typically made by managers responsible for land use planning

BLM’s implementation of cost management has provided tools to help understand how work processes consume resources and how resources relate to outputs. Cost management helps us understand what drives cost in the BLM and how that cost can be controlled while continuing to provide service to the public. There are distinct and significant statistical relationships between output and cost. These relationships enable the BLM to improve its allocation of resources based on past performance. This statistical relationship information gives program managers a reliable tool to help set future resource requirements rather than relying on traditional methods that focus on inputs.

The relationship between cost and output is expressed statistically in BLM’s

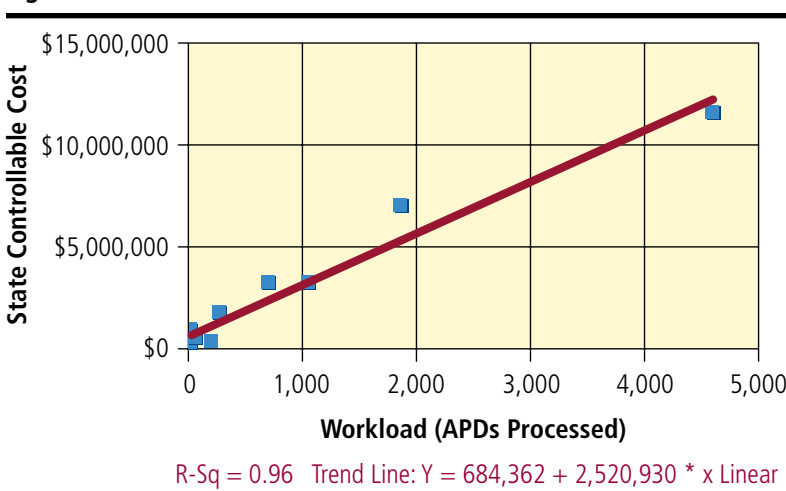
Cost Management System. The cost and output numbers for organizational groupings are analyzed using regression analysis. This yields a trend line describing the full cost/workload relationship, which in turn can be used to estimate resource requirements for various levels of output.

Figure 15 shows an example of the relationship between cost and workload. A strong relationship between the quantity of work produced and the total cost of producing it would be expected. The calculated trend line and correlation coefficient (R squared) demonstrate a high correlation between total cost and workload for oil and gas applications for permits to drill (APDs). Based on this information, we can predict the cost of changing workloads, and we can also predict the quantity of work that can be accomplished under various budget scenarios.

By aligning outputs with organizational goals and then, in turn, aligning resources to outputs, the BLM is able to ensure that its resources support the accomplishment of its goals. Moreover, the cost management information provides additional information, which can highlight a mismatch of resources and outputs and can thus provide the basis for resource realignment, workforce adjustments, service rationalization, and reengineering of work processes.

With this information, the BLM can use its 8 years of cost management data to project the future consumption of budgetary resources based on estimated workload (outputs) and/or estimated performance levels (outcomes); estimate performance levels (outcomes) based on workload (outputs) and/or projected budgetary resources; estimate workload (outputs) based on performance levels and/or projected budgetary resources; identify budgetary resource needs by budget subactivity for various performance levels; identify direct and indirect budgetary resource needs at various performance levels; forecast at various organizational levels (field office, state office, or Bureau); and provide the incremental cost of performance.

**Figure 15.** Cost vs. Workload



# Performance Highlights

Director Caswell is committed to ensuring that the nation's lands and resources are protected and that access to our natural and cultural heritage assets is provided. With the expanding population of the West, the demands on public resources are ever increasing.

The BLM is working diligently to ensure that the people's lands and the resources they support are managed effectively and used wisely to serve the needs of today's and future generations of Americans. In this section, we present the highlights of our FY 2007 results in our four strategic areas: resource protection, resource use, recreation, and serving communities. We also present our internal organizational achievements that enhance BLM's performance as a results-driven Federal agency.

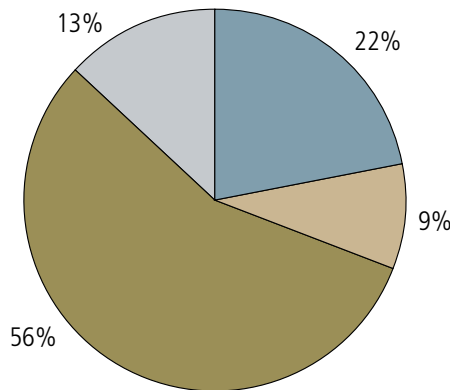
## Performance Overview

Figures 16 and 17 show the FY 2007 full cost of operations by strategic goal and strategic outcome goal.

The costs shown in figures 16 and 17 exclude the following financial activity:

**Figure 16. 2007 Cost by Strategic Goal**

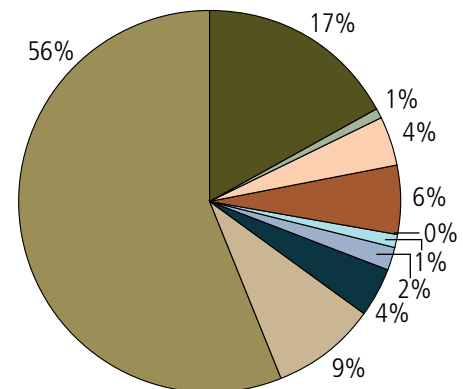
2007 Cost by Strategic Goal		
Resource Protection	22%	\$ 435,547,692
Recreation	9%	\$ 188,845,879
Serving Communities	56%	\$1,135,871,769
Resource Use	13%	\$ 265,165,774
<b>Total</b>		<b>\$2,025,431,114</b>



extraordinary gains/losses of \$0.6 million, payments to states of \$141.8 million, Working Capital Fund (WCF) activity of \$30.6 million, intrabureau elimination items associated with the WCF and Southern Nevada Public Land Management Act investments of \$64.7 million, and adjustments for allocation transfer activity

**Figure 17. 2007 Cost by Strategic Outcome Goal**

2007 Cost by Strategic Goal		
Improve health of landscapes and watersheds	17%	\$ 342,000,942
Sustain biological communities	1%	\$ 20,431,858
Protect cultural and natural heritage	4%	\$ 73,114,892
Manage or influence resource use to enhance public benefit, promote responsible development, and ensure appropriate value for:		
Fossil Fuels Energy	6%	\$ 111,737,920
Renewable Energy	0%	\$ —
Forage	1%	\$ 24,352,483
Forest Products	2%	\$ 46,646,471
Nonenergy Minerals	4%	\$ 82,428,900
Provide for a quality recreation experience and visitor enjoyment	9%	\$ 188,845,879
Protect lives, resources and property	56%	\$1,135,871,769
<b>Total</b>		<b>\$2,025,431,114</b>





of \$447.6 million where BLM is the parent and (\$10.5 million) where BLM is the child. These costs are not operational in nature and do not relate to BLM’s costs of mission delivery. Also excluded from the costs shown in figures 16 and 17 is a reconciling item of \$58.2 million, which represents a problem with the estimation of accruals for non-Federal allocation transfer (child) activity associated with the Southern Nevada Public Land Management Act.

Table 3 provides an overview of BLM’s 2007 accomplishments. More detailed information can be found in the “Performance Report” section on the accompanying CD. Each graph shows by goal the number of performance measures for which established targets were achieved. The inverted triangle marks the average of all performance for each goal. Overall, the BLM exceeded the target for 38 percent of its performance measures and met the

**Table 3.** Performance Summary

Mission Goal	Strategic Outcome Goal	Average Performance Rating and Number of Reported Results		
		Below Target	Met Target	Above Target
<b>Resource Protection:</b> Protect the nation’s natural, cultural, and heritage resources	Improve the health of landscapes and watersheds (19 measures)	0	10	9
	Sustain biological communities (5 measures)	0	1	4
	Protect cultural and natural heritage resources (14 measures)	4	7	3
<b>Resource Use:</b> Improve resource management to ensure responsible use and sustain a dynamic economy	Manage or influence resource use to enhance public benefit, promote responsible development, and ensure appropriate value for: <ul style="list-style-type: none"> <li>↓ Fossil fuels energy—oil, gas, and coal (22 measures)</li> <li>↓ Renewable energy—geothermal, wind, and solar (2 measures)</li> <li>↓ Forage—grazing (4 measures)</li> <li>↓ Forest products (6 measures)</li> <li>↓ Nonenergy minerals (17 measures)</li> </ul>	5	9	8
	↓ Fossil fuels energy—oil, gas, and coal (22 measures)	0	1	1
	↓ Renewable energy—geothermal, wind, and solar (2 measures)	2	0	2
	↓ Forest products (6 measures)	2	2	2
	↓ Nonenergy minerals (17 measures)	8	4	5
<b>Recreation:</b> Improve recreation opportunities for America	Provide a quality recreation experience and visitor enjoyment (18 measures)	5	8	5
<b>Serving Communities:</b> Improve protection of lives, resources, and property	Protect lives, resources, and property (39 measures)	7	16	16

target for 40 percent a success rate of 78 percent. However, the BLM failed to meet the target for the remaining 22 percent of its performance measures.

The BLM examines performance, budget, and cost at organizational levels beginning with the field office/district level, where most of the on-the-ground work is performed, and moving up through the state organizations to the Bureauwide or corporate level. The BLM uses this information as one of many factors that inform our decisions and shape our policies and strategies.

The BLM applies activity-based costing concepts to both budgetary standard general ledger accounts and propriety standard general ledger accounts. We use the budgetary data for budget and performance integration. The data selection for the budgetary accounts matches the current year available budget with the current year performance results that are achieved. This gives us a reliable measure of cost in terms of the budgetary dollars used in producing a given amount of work for the fiscal period being measured. We then use that data along with statistical techniques such as regression analysis to predict future budgetary needs for various levels of workload. The budgetary data in BLM's ABC/M system is reconciled to accounting system tables for appropriated funds and to general ledger accounts for receipt-based funds.

The cost shown in this PAR is derived from BLM's ABC/M system. The data in this system is derived from direct costing of work activities in BLM's accounting system and conforms to applicable accounting standards. This data, when aggregated, reconciles in total to the Statement of Net Cost. It does not reconcile to the individual segments of the Statement of Net Cost because of differences in the allocation methodology for cost elements such as actuarial liabilities, future funded expenses, imputed costs, managing programs, and indirect costs. The two BLM organizations responsible for ABC/M and financial statements will strive to remove these allocation differences next fiscal year.

The BLM's Statement of Net Cost for FY 2007 contains the costs incurred against

allocation transfers by recipient (child) agencies where the BLM is the transferring (parent) agency. However, each recipient agency remains responsible and accountable for the performance accomplishments they produce just as the BLM is responsible and accountable for its own performance. For that reason, this "Management's Discussion and Analysis" section contains only BLM cost and BLM performance accomplishments.

The BLM has also disclosed the marginal cost of the work measured by each performance measure. This marginal cost is an average across the BLM. Although the BLM calculates, monitors, and considers marginal cost in its decision processes, it does not make decisions based on marginal cost alone because the data may present an inaccurate picture. Resource conditions, access, terrain, climate, and dozens of other factors cause costs to vary widely across, and often within, organizational jurisdictions. Time is another factor that skews marginal cost. The costs presented are calculated for a single fiscal year, but the results being measured may span anywhere from 1 to more than 30 years. For example, figures 23 and 24 in the "Improve the Health of Landscapes and Watersheds" section show improvement of a riparian area in Arizona over a 20-year timespan. This improvement was accomplished largely by changing the grazing management practices surrounding the riparian area and 20 years of recovery time. In this example, it is clear that marginal cost for a single fiscal year would add little value to the decision process.

Figure 18 explains some of the information that is disclosed in the pages that follow. The BLM employs a five-level approach to performance, budget, and cost measurement. This figure illustrates four of those levels—the strategic goal level, strategic outcome level, performance measure level, and work process level. The fifth level is the activity-based costing work activity level, which is not presented in this PAR because of the magnitude of that data. However, the activity-based costing work activity level is the foundation for all of the other levels, as discussed in the "Integrated Management and Performance Framework" section.



**Figure 18.** Explanation of Data Presentation

**Resource Protection**

Protect the nation's natural, cultural, and heritage resources

Resource protection and our conservation role are reflected in dozens of Federal laws passed over the last century, among them the Antiquities Act, the Lacey Act, the Endangered Species Act, and the Federal Land Policy and Management Act.

Introductory description of the strategic goal

**Figure 19.** Resource Protection: FY 2007 Costs by Strategic Outcome Goal

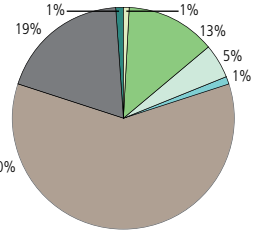
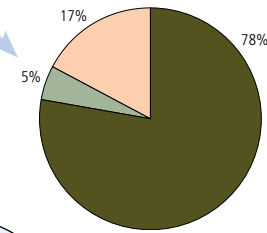
2007 Costs in Resource Protection by Strategic Outcome			
Improve health of landscapes and watersheds	78%	\$342,000,941.84	
Sustain biological communities	5%	\$ 20,431,858.48	
Protect cultural and natural heritage resources	17%	\$ 73,114,892.05	
<b>Total</b>		<b>\$435,547,692.37</b>	

**Figure 20.** Resource Protection: How Funding Was Applied

2007 Costs in Resource Protection by Work Process			
Provide Outreach/Customer Service	1%	\$ 2,599,623.48	
Assess/Inventory Condition/Status	13%	\$ 56,875,796.15	
Perform Planning	5%	\$ 23,111,798.50	
Authorize Use	1%	\$ 5,992,999.98	
Implement BLM-Initiated Actions	60%	\$259,979,164.77	
Perform Monitoring	19%	\$ 84,554,180.63	
Manage Compliance	1%	\$ 2,434,128.85	
<b>Total</b>		<b>\$435,547,692.37</b>	

Shows the total amount spent achieving the strategic goal as well as how much was spent for each of the strategic outcome goals under this strategic goal

Shows the actual work that was accomplished with the dollars spent at the strategic goal level



Identifies the strategic outcome goals that support the strategic goal

**Strategic Outcome Goals**

- Improve the health of landscapes and watersheds
- Sustain biological communities
- Protect cultural and natural heritage resources

**Selected Performance Measures**

- Percent of BLM stream or shoreline miles that have achieved desired conditions where condition is known and as specified in management plans
- Percent of BLM acres that have achieved desired condition where condition is known and as specified in management plans

Identifies the performance goals that will be discussed in the "Performance Highlights" section; all performance goals are discussed in the "Performance Report" section

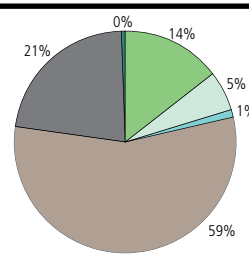
Introduces the strategic outcome goal that will be discussed. Each of the three goals identified above are introduced in this manner

Improve the Health of Landscapes and Watersheds

Figure 21 shows how funding was applied to improve the health of landscapes and watersheds.

**Figure 21.** How Funding Was Applied: Landscapes and Watersheds

2007 Costs in Landscapes and Watersheds by Work Process			
Provide Outreach/Customer Service	0%	\$ -	
Assess/Inventory Condition/Status	14%	\$ 47,500,181.69	
Perform Planning	5%	\$ 16,922,381.49	
Authorize Use	1%	\$ 3,060,976.61	
Implement BLM-Initiated Actions	59%	\$202,145,237.94	
Perform Monitoring	21%	\$ 71,296,232.89	
Manage Compliance	0%	\$ 1,075,931.21	
<b>Total</b>		<b>\$342,000,941.84</b>	



Shows the actual work that was accomplished with the dollars spent at the strategic outcome goal level

The description explains the strategic outcome goal

**Description**

Land health must be understood to improve the health of landscapes and watersheds. Land health, the condition of the public land, is a representation of how

well the ecological processes are functioning, such as nutrient cycling, watershed function, and fire recurrence. Land health is achieved both through proper management of uses, such as grazing, timber sales, recreation, and energy development, and with treatment

**Figure 18.** Explanation of Data Presentation (continued)

Measuring Progress—  
2007 Results for Selected Measures

Introduces the performance analysis section

Figure 22 shows performance and funding analysis for performance measure 1.1.01.

**Figure 22.** Performance and Funding for Measure 1.1.01

**1.1.01** Percent of BLM stream or shoreline miles that have achieved desired conditions where condition is known and as specified in management plans. (SP/PART)

Budget and cost stated in absolute dollars

	2004	2005	2006	2007	2008 Projected	Trend Type & R-Sq
<b>Budget Applied</b>	\$15,104,122	\$16,777,691	\$14,381,455	\$13,125,282	\$14,269,333	Exp. 0.3982
<b>Cost</b>	\$14,684,042	\$16,228,462	\$13,849,990	\$13,479,234	\$11,154,440	Exp. 0.7119
<b>Performance Target</b>	127,487	128,765	128,965	129,329	128,810	Power 0.7369
<b>Performance Actual</b>	126,821	128,329	128,829	128,310	128,810	Power 0.7605
<b>Performance Percent</b>	91	90	90	90	90	
<b>Marginal Cost</b>	\$115.79	\$126.46	\$107.51	\$105.05	\$86.60	Exp. 0.7418

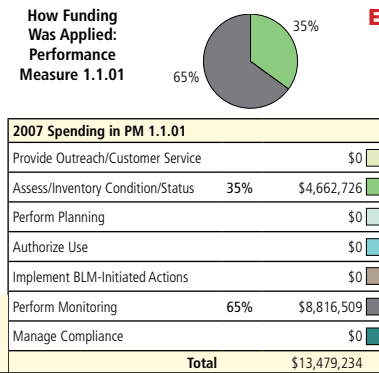
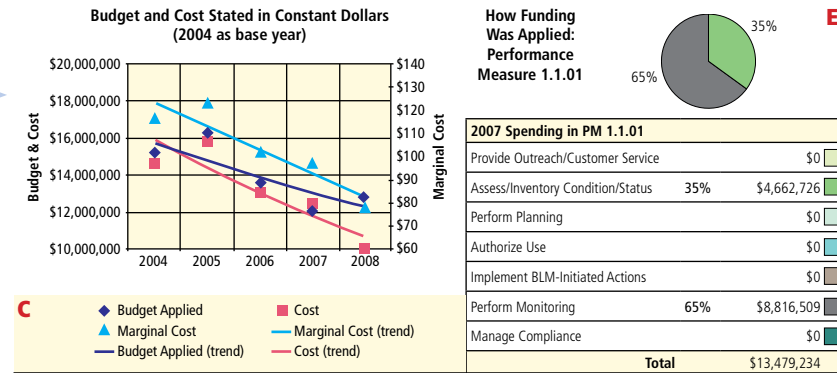
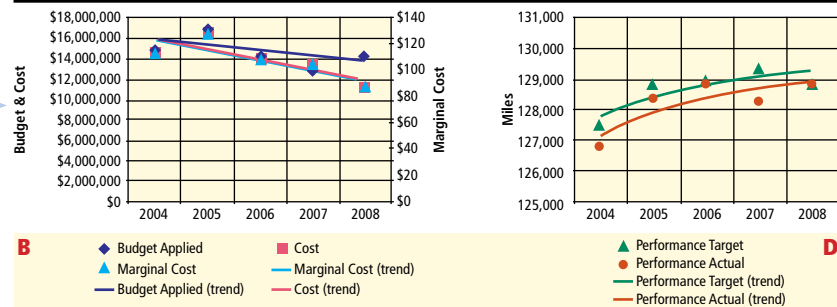
Chart A

Chart B

Chart C

Chart D

Chart E



**Chart A:** Chart A presents the performance measure that is being discussed. The performance measure defines how progress toward the strategic outcome goal will be measured. The table in Chart A contains actual budget, cost, and performance data for fiscal years 2004 through 2007 and projected for 2008. The parenthesis following the performance measure definition (SP, PART, and/or Bur) means that the measure is a Strategic Plan (SP) measure, or a Program Assessment Rating Tool (PART) measure, or a BLM (Bureau) measure or some combination thereof. In this example:

- Budget applied is the actual budget used for performance measure 1.1.01 in each of the fiscal years shown.
- Cost is the actual cost for performance measure 1.1.01. Cost is calculated in conformance with applicable accounting standards and when aggregated reconciles to the Statement of Net Cost.

- Performance target is the planned performance, i.e., the number of miles planned to be restored to desired condition.
- Performance actual is the actual performance achieved, i.e., the performance results.
- Actual percent is the amount of work achieved (performance actual) divided by the scope (or baseline), which yields the percent performance result (called here “actual percent”). In this example, the baseline (denominator) is 143,290 miles and the numerator is 129,329 miles—this yields a result of 90 percent. For each measure presented in the “Management’s Discussion and Analysis” section of this PAR, the baseline number is provided in the paragraph immediately following each respective performance and funding analysis figure.



**Figure 18.** Explanation of Data Presentation (*continued*)

- Marginal cost is the incremental cost to produce 1 additional mile of stream/shoreline condition restoration during each of the fiscal years.

The column entitled “Trend Type & R-Sq.” on the far right side of the table contains the type of trend line presented in sections B, C, and D and the R-squared or correlation coefficient for the trend line. For instance, if R-squared is .75, then the independent variable is said to explain 75 percent of the variance in the dependent variable. R-squared values range from 0 (random relationship) to 1 (perfect relationship). An R-squared of 1 would occur when all points in the scatter plot fall exactly on the line. (Note: A scatter plot with only two points would have an R-squared of 1 but may not be useful with such a small amount of data.) The type of trend line defines the formula that is used to calculate the trend. There are four different trend line equations used in this report—linear, exponential, power, and logarithmic. The trend line presented in the charts uses the formula that yields the highest R-squared value.

**Chart B:** Chart B is a chart containing three trend lines—all representing the absolute values shown in section A. The left legend for the Y axis (dependent variable) is total dollars (both budget and cost). The right legend for the Y axis is unit or marginal cost. The legend for the X axis (independent variable) is fiscal year.

- The dark blue trend line and related scatter plot (dark blue diamonds) show the trend for budget applied for fiscal years 2004 through 2008. In this example, we can easily distinguish a downward trend. This means that over the 5-year period depicted in the chart, progressively fewer budgetary resources are being used to support measure 1.1.01. Budget applied should be read using the left Y axis legend.
- The bright pink trend line and related scatter plot (bright pink squares) show the trend for cost. In this example, this trend line reflects a slight increase in cost over the 5-year period depicted in the chart. Cost should be read using the left Y axis legend.
- The aqua trend line and related scatter plot (aqua triangles) show the trend for marginal cost. In this example, this trend line reflects a readily distinguishable downward trend. This means that the actual cost per mile of stream/shoreline restoration has steadily declined over the period 2004 to 2007 and as projected for 2008. Marginal cost should be read using the right Y axis legend.

**Chart C:** Chart C is a chart containing the same three trend lines described in chart B with one exception—the budget applied, cost, and marginal cost absolute dollar values shown in chart A are stated in constant dollars in chart C, i.e., they have been adjusted for inflation. The inflation adjustment uses 2004 as the base year and is calculated using the Chained Consumer Price Index for all Urban Consumers (C-CPI-U) as published by the Bureau of Labor Statistics. This is the standard index used by the Congressional Budget Office and the Office of Management and Budget. In this example, the trend lines in chart C clearly identify decreases in budget applied, cost, and marginal cost over the 5-year period of this analysis.

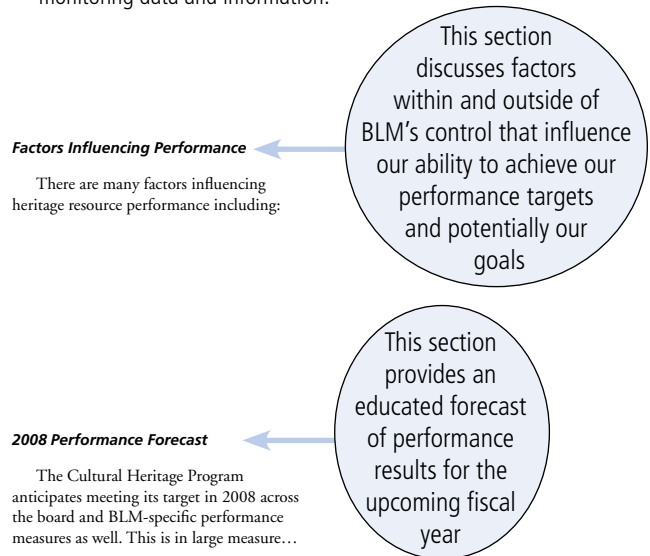
**Chart D:** Chart D is a chart containing two trend lines—both representing the absolute values shown in chart A for performance target and performance actual. In this example, the Y axis (dependent variable) is number of miles. The X axis (independent variable) is fiscal year.

- The green trend line and related scatter plot (green triangles) show the trend for performance target, which, in this example, is the number of miles planned to be restored to desired condition for fiscal years 2004 through 2008 (projected). This trend line demonstrates that the BLM has planned a steady increase in this performance measure over the 5-year period of this analysis.
- The orange trend line and related scatter plot (orange circles) show the trend for performance actual, which, in this example, is the actual number of stream/shoreline miles restored. This chart shows a steady increase in results achieved over the period of the analysis. It also shows a tight relationship between what is planned and the results that are achieved.

**Trend Analysis Summary:** In this example, for the period 2004 through 2007 and as projected for 2008, the BLM has substantially met its performance target for this performance measure and has done so using fewer budgetary resources and with progressively declining total costs, as well as a steadily declining unit cost per mile of restoration. There is a clear indication of efficiency in the performance of this measure.

**Chart E:** Chart E contains a pie chart and table that describes how the funding contained in chart A was applied; i.e., how did we spend the money? In this example, about 30 percent of the money was used for inventory and assessment and about 70 percent was used for monitoring.

- Inventory and assessment work involves the compilation, collection, analysis, and interpretation of basic land ownership, natural resources, social, and economic information used to describe existing conditions and trends affecting the public lands and resources, including establishing the boundaries of the public lands and maintaining the records of public land ownership and use.
- Monitoring involves verification of whether specific management decisions are being implemented and if specific management objectives are being achieved through the comparison of conditions over time. It also includes the analysis and interpretation of monitoring data and information.



## Resource Protection

Protect the nation's natural, cultural, and heritage resources

Resource protection and our conservation role are reflected in dozens of Federal laws passed over the last century, among them the Antiquities Act, the Lacey Act, the Endangered Species Act, and the Federal Land Policy and Management Act.

The BLM's resource protection mission is divided into three sections:

- Improving the health of landscapes and watersheds
- Sustaining biological communities
- Protecting cultural and natural heritage resources

The condition of the public land is a representation of how well the ecological processes are functioning, such as nutrient cycling, watershed function, fire recurrence, and rate of weed infestation. Land health is achieved both through proper management of uses, such as grazing, recreation, and energy development, and with treatment application, such as modifying vegetation structure and composition through thinning, planting, seeding, reducing fuels, and controlling invasive plants. Healthy lands are more resilient to environmental fluctuation and disturbance such as wildfire and short-term climate change, can better sustain increased use by the public, and are free of noxious weeds and hazardous materials. A healthy land will ensure that the dynamics of natural ecosystem processes are operating efficiently so that both ecosystem structure and functions can be recovered and sustained. Continuing these processes is necessary for maintaining an ecosystem's long-term economic and social values.

The approximately 256 million surface acres of public land administered by the BLM, which equals about one-eighth of the land area of the United States, help support and sustain the biological communities in this country. Therefore, the public lands are

just one component of a larger, intertwined, and interdependent landscape that has a variety of owners and managers, both public and private. Working with others, the BLM is helping to develop and implement an overall strategy for improving, maintaining, and restoring the health of the land and sustaining biological communities. This strategy has three interrelated components:

- Standards for the health of the land
- Assessments of ecological condition, trend, and function
- Restoration of lands with the greatest likelihood for recovery and increased benefits, especially those lands that are at risk, within current funding and staffing limits.

The BLM is responsible for protecting and preserving paleontological localities and archaeological and historic sites, as well as museum objects excavated or collected. The BLM manages fossils as a natural heritage resource. More species of dinosaurs have been identified from BLM-administered lands than from Mongolia, China, and Argentina combined. The BLM is steward for the Federal Government's largest, most varied, and scientifically most important body of cultural resources. BLM's archeological sites range from 13,000-year-old mammoth kill sites to more recent historic sites documenting westward migration, mining, ranching, railroading, and even World War II and Cold War military history.

Another means used by the BLM to focus on resource protection is the designation of areas requiring special management to protect them and preserve acceptable health. A variety of designations are available that can be adapted to the specific circumstances and character of each particular setting. Some designations can be extended at the discretion of the BLM (administrative designations), while others are applied by statute when Congress determines that the national interest warrants it (statutory designations). Examples of



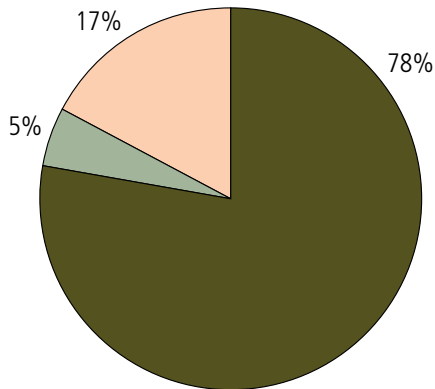
administrative designations include areas of critical environmental concern, wilderness study areas, national natural landmarks, and research natural areas. Examples of statutory designations include wild and scenic rivers,

wilderness areas, and national conservation areas.

Figures 19 and 20 show costs and how funding was applied for resource protection activities.

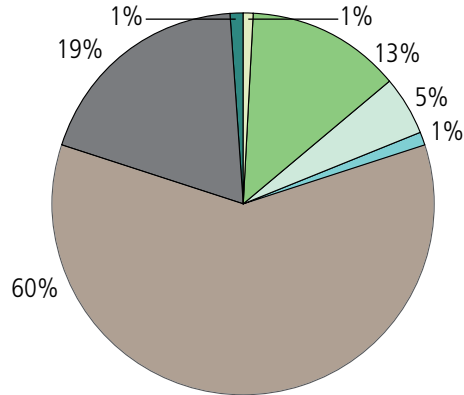
**Figure 19.** Resource Protection: FY 2007 Costs by Strategic Outcome Goal

2007 Costs in Resource Protection by Strategic Outcome			
Improve health of landscapes and watersheds	78%	\$ 342,000,941.84	
Sustain biological communities	5%	\$ 20,431,858.48	
Protect cultural and natural heritage resources	17%	\$ 73,114,892.05	
<b>Total</b>		<b>\$ 435,547,692.37</b>	



**Figure 20.** Resource Protection: How Funding Was Applied

2007 Costs in Resource Protection by Work Process			
Provide Outreach/Customer Service	1%	\$ 2,599,623.48	
Assess/Inventory Condition/Status	13%	\$ 56,875,796.15	
Perform Planning	5%	\$ 23,111,798.50	
Authorize Use	1%	\$ 5,992,999.98	
Implement BLM-Initiated Actions	60%	\$ 259,979,164.77	
Perform Monitoring	19%	\$ 84,554,180.63	
Manage Compliance	1%	\$ 2,434,128.85	
<b>Total</b>		<b>\$ 435,547,692.37</b>	



**Strategic Outcome Goals**

- Improve the health of landscapes and watersheds
- Sustain biological communities
- Protect cultural and natural heritage resources

**Selected Performance Measures**

- Percent of BLM stream or shoreline miles that have achieved desired conditions where condition is known and as specified in management plans
- Percent of BLM acres that have achieved desired condition where condition is known and as specified in management plans

- Percent of acres treated that achieved fire management objectives as identified in applicable management plans
- Percent of baseline acres infested with invasive plant species that are controlled
- Number of conservation actions implemented from recovery plans for Endangered Species Act-listed species
- Percent of historic structures in BLM inventory in good condition
- Number of heritage resources conserved for public benefit

## Improve the Health of Landscapes and Watersheds

Figure 21 shows how funding was applied to improve the health of landscapes and watersheds.

### Description

Land health must be understood to improve the health of landscapes and watersheds. Land health, the condition of the public land, is a representation of how well the ecological processes are functioning, such as nutrient cycling, watershed function, and fire recurrence. Land health is achieved both through proper management of uses, such as grazing, timber sales, recreation, and energy development, and with treatment application, such as modifying vegetation structure and composition through thinning, planting, seeding, reducing fuels, and controlling invasive plants. Healthy lands are more resilient to environmental fluctuation and disturbance such as wildfire and short-term climate change, can better sustain increased use by the public, and are free of noxious weeds and hazardous materials.

In 2007, approximately 52 percent of BLM’s surface estate, or 135.4 million acres of rangelands, wetlands, and forestlands, are expected to achieve desired condition where condition is known. This is based largely on assessed areas that are meeting land health standards. This improvement in land health is a gradual, yet encouraging, increase

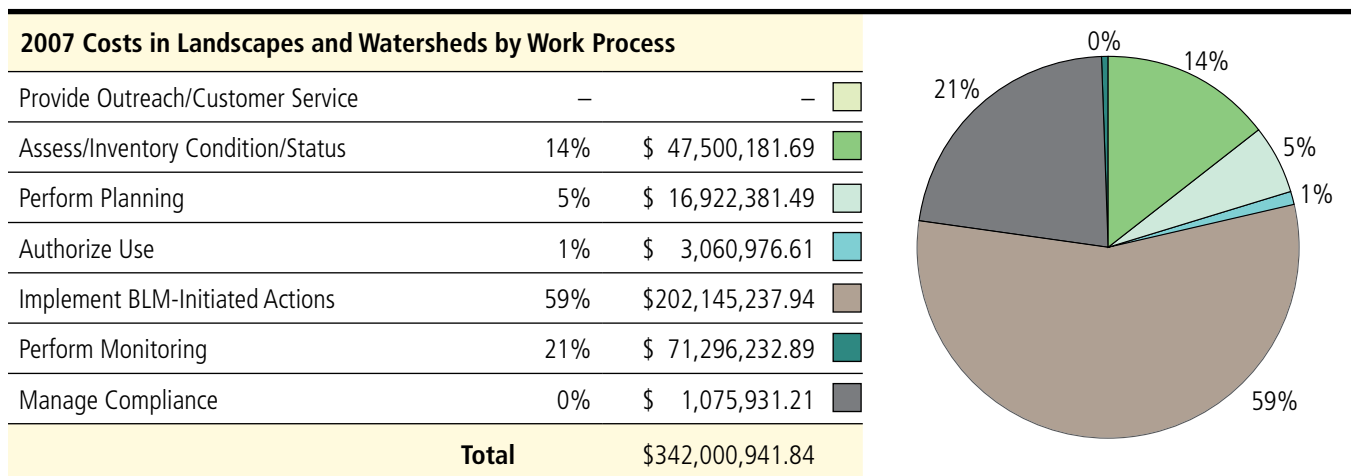
in the area achieving desired condition. It often takes long periods of time, sometimes decades, in the arid West to see change.

Another measure of the resource is the number of stream and shoreline miles that have achieved desired condition. As of 2007, 90 percent or 130,000 miles have achieved desired condition where condition is known. This is based on the assessment of stream function.

During FY 2007, the BLM has improved land health by:

- Applying 255,000 acres of shrub and grass vegetation treatments
- Constructing 2,500 vegetation projects
- Maintaining 3,000 vegetation projects
- Treating 11,000 acres to restore lakes and wetlands
- Treating 400,000 acres of hazardous fuels
- Restoring or enhancing 35,000 acres of forests and woodlands
- Stabilizing and rehabilitating 850,000 acres after wildfire
- Remediating 456 abandoned mine land sites

**Figure 21.** How Funding Was Applied: Landscapes and Watersheds





- Gathering 6,300 wild horses and burros
- Treating 383,000 acres of noxious and invasive weeds

The results of our FY 2007 actions contribute to the overall land health (vegetation condition), which is gradually and steadily improving—but years or even decades are required to effect positive change in condition. To illustrate, the “State of the Public Rangelands, 1990,” issued by the BLM, shows the long-term trend for the period 1936 to 1989. During that period, the areas in late seral and potential natural condition have more than doubled, from 16 percent to 33 percent, and the area classified as early seral has been cut in half, from 36 percent to 16 percent. The BLM “Rangeland Inventory, Monitoring, and Evaluation Report” for 2006 further updates that data by showing that the areas in late seral and potential natural condition have now increased to 43 percent.

The BLM measures the condition of vegetation on rangelands by determining the degree of similarity of present vegetation to the potential natural plant community. For example, potential natural community means that the composition of current vegetation is between 76 and 100 percent similar to the plant composition that would exist through natural succession processes without the influence of human activity. Late seral means that the composition of current vegetation is 51 to 75 percent similar to the potential natural plant community. Early seral means that the composition of current vegetation is zero to 25 percent similar to the potential natural plant community.

There are, however, several notable indications that the condition of public lands has declined in certain areas. In recent years, the severity and intensity of wildfires in the West has increased dramatically from levels in the 1970s and 1980s. There has also been a fourfold increase in invasive weed populations since 1985. Wildfires, drought, and invasive weeds are causing a steady degradation of soils, water quality and quantity, native plant communities, wildlife habitat, wilderness

values, recreational opportunities, and livestock forage.

Due to years of fire exclusion, forests and rangelands of the West have become unnaturally dense, and ecosystem health has suffered. Seventeen million acres of these forests and woodlands are in need of ecological restoration work due to high stand density and disease and insect infestations. Additionally, approximately 11 million acres of woodlands now occupy rangelands, causing additional stress on these systems.

### **Measuring Progress— 2007 Results for Selected Measures**

Figure 22 shows performance and funding analysis for performance measure 1.1.01.

The baseline quantity for performance measure 1.1.01 is 143,290 miles. Therefore, the actual percent is the “performance actual” of 128,310 miles divided by 143,290 miles, which yields 89.54 percent and rounds to 90 percent. The performance targets for performance measure 1.1.01 have steadily increased from 2004 through 2007 and are projected to increase for 2008, as shown in figure 22, chart D. Despite the performance increase, the BLM has substantially met its performance targets over this period, including those for 2007.

There has been a decline in budgetary resources applied to this measure, and a decrease in total cost when stated in absolute dollars. The marginal cost per mile of restoration has declined. Figure 22, chart C, shows an unmistakable decrease in budget, cost, and marginal cost when those factors are stated in constant dollars, i.e., when absolute dollars are adjusted for inflation. There is a clear indication of efficiency in the performance of this measure. Of the funding applied to this measure, about 35 percent was used to assess/inventory condition/status and the remaining 65 percent was used for monitoring.

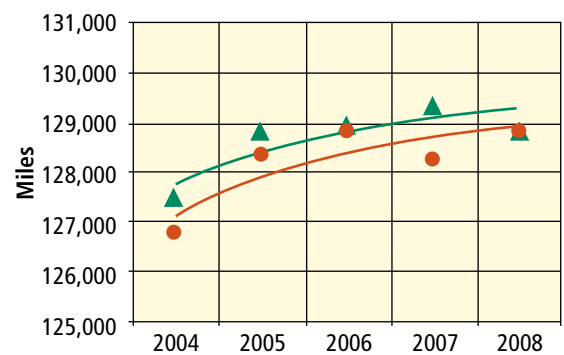
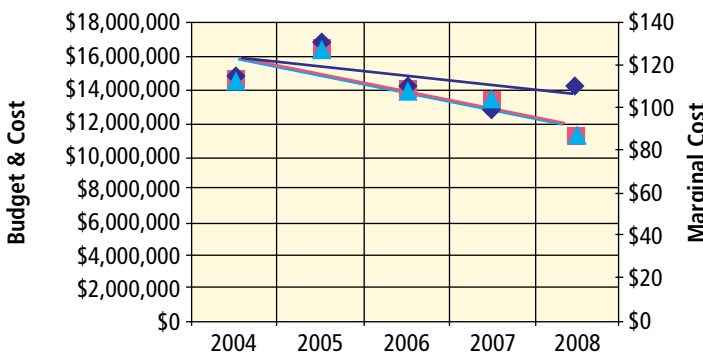
The number of miles of streams treated in a given year is only an indicator of our success in improving conditions. In 2007, we treated 620 miles of streams. However, the

**Figure 22.** Performance and Funding for Measure 1.1.01

**1.1.01** Percent of BLM stream or shoreline miles that have achieved desired conditions where condition is known and as specified in management plans. (SP/PART)

Budget and cost stated in absolute dollars

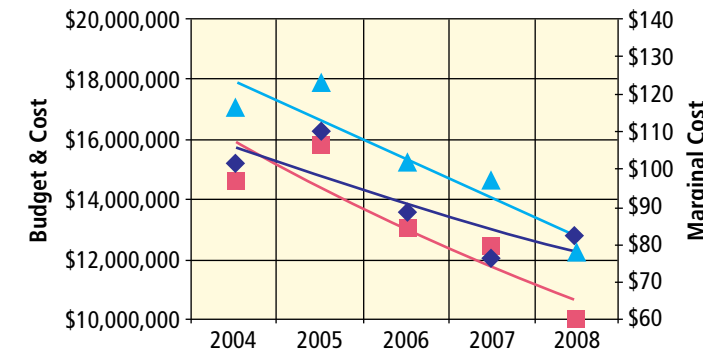
<b>A</b>	2004	2005	2006	2007	2008 Projected	Trend Type & R-Sq
<b>Budget Applied</b>	\$15,104,122	\$16,777,691	\$14,381,455	\$13,125,282	\$14,269,333	Exp. 0.3982
<b>Cost</b>	\$14,684,042	\$16,228,462	\$13,849,990	\$13,479,234	\$11,154,440	Exp. 0.7119
<b>Performance Target</b>	127,487	128,765	128,965	129,329	128,810	Power 0.7369
<b>Performance Actual</b>	126,821	128,329	128,829	128,310	128,810	Power 0.7605
<b>Performance Percent</b>	91	90	90	90	90	
<b>Marginal Cost</b>	\$115.79	\$126.46	\$107.51	\$105.05	\$86.60	Exp. 0.7418



**B** ◆ Budget Applied    ▲ Marginal Cost  
 — Budget Applied (trend)    — Marginal Cost (trend)

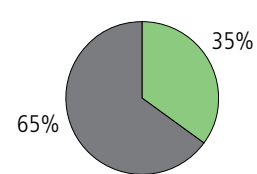
**D** ▲ Performance Target    ● Performance Actual  
 — Performance Target (trend)    — Performance Actual (trend)

**Budget and Cost Stated in Constant Dollars (2004 as base year)**



**C** ◆ Budget Applied    ▲ Marginal Cost  
 — Budget Applied (trend)    — Marginal Cost (trend)

**How Funding Was Applied: Performance Measure 1.1.01**



2007 Spending in PM 1.1.01		
Provide Outreach/Customer Service		\$0
Assess/Inventory Condition/Status	35%	\$ 4,662,726
Perform Planning		\$0
Authorize Use		\$0
Implement BLM-Initiated Actions		\$0
Perform Monitoring	65%	\$ 8,816,509
Manage Compliance		\$0
<b>Total</b>		<b>\$13,479,234</b>

real story is that we have averaged 800 miles per year over the period 2004 to 2007, changed or adapted our management (i.e., livestock, timber, off-highway vehicle use, or

oil and gas development), maintained and constructed projects, used better technology for mapping and more accurate inventories, and as a result, there has been a dramatic



improvement in the health of our stream and riparian areas.

Table 4 shows this noticeable change. Looking at BLM-managed land as a whole, there was an increase in the number of improved stream and riparian miles of about 10 percent from 1996 to 2006. In Alaska, the percent of improved miles increased by 7 percent, but the actual number of improved miles decreased. The decrease in miles in Alaska is not due to fewer healthy streams, but rather to changes in mapping accuracy and the conveyance of land to the state and Alaska Native Corporations. In the lower 48 states, there has been a more dramatic change—in the 10-year span from 1996 to 2006, the number of stream and riparian miles improved has increased by 27 percent.

This data phenomenon reflects the more complicated factors involved in managing public lands. In some areas, like Nevada and Alaska, public lands are found in large, contiguous blocks. Projects in these areas can be targeted at thousands of acres at a time with great efficiency because of the simple ownership pattern. In other areas, like parts of California and Montana, public lands

**Table 4.** Long-Term Improvement in Stream and Riparian Habitat

Health Condition Improvements Proper Functioning Condition or Functioning Risk with an Upward Trend		
1996	Stream and Riparian Miles	Percent
Lower 48 States	12,061	30.00%
Alaska	131,493	93.00%
Bureauwide	*143,554	79.00%
2006		
Lower 48 States	20,460	57.00%
Alaska	170,515	99.95%
Bureauwide	*127,975	89.00%

\* BLM's total improved stream and riparian miles decreased by 37,387 from 1996 to 2006 (4,282 in the lower 48 states and 33,105 in Alaska) due largely to land conveyances but also to increased mapping accuracy.

occur in checkerboard patterns or in scattered parcels that are sometimes surrounded by private lands. These areas can be more complicated and costly to manage for the same outcomes as the large blocks.

An example of remarkable riparian improvement is shown in figures 23 and 24. Although this performance improvement is not totally attributable to FY 2007, change from a nonfunctioning riparian area to a properly functioning riparian area takes anywhere from 5 to 20 years, depending on the severity of the situation as well as topographic and vegetative conditions.

Figure 23 shows Burro Creek (Kingman Field Office, Arizona) in the fall of 1981. At that time, this area was open year-round to livestock use, which did not provide for the health and reproduction of riparian plants. This photograph provides a good example of a nonfunctioning riparian area.

Figure 24 shows Burro Creek in 2000 after 20 years of intensive livestock management. Livestock was removed from the creek during parts of the year to allow the plants to reproduce and thrive. These improvements were made by rotating livestock through a series of pastures so they were not in the same location at the same time year after year. There is now a dramatic increase in vegetation, presence of water, and development of an active channel. This photograph shows a riparian area in proper functioning condition.

**Figure 23.** Burro Creek in Arizona was a nonfunctioning riparian area in 1981.



**Figure 24.** In 2000, Burro Creek had become a properly functioning riparian area.



Figure 25 shows performance and funding analysis for performance measure 1.1.02.

The baseline quantity for performance measure 1.1.02 is 258,000,000 acres (BLM-managed acreage fluctuates annually due to

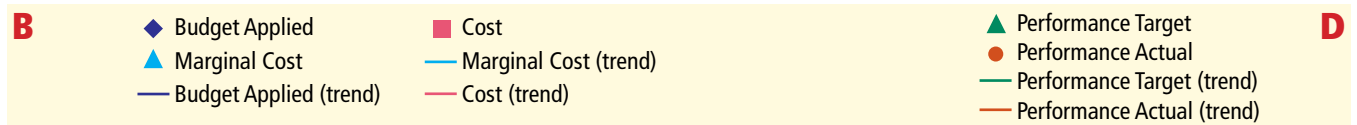
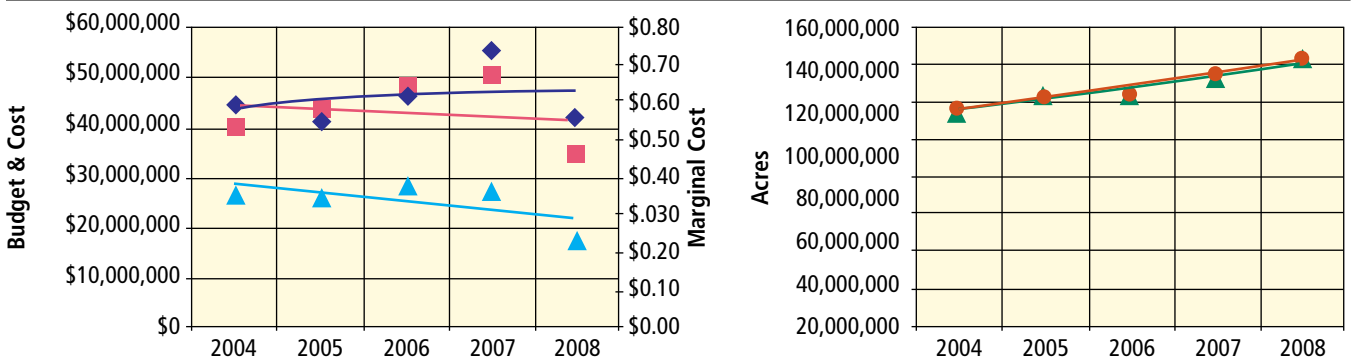
land disposals and acquisitions. However 258,000,000 was the acreage established at the beginning of FY 2007 and for performance measure purposes will remain for the entire fiscal year). Therefore, the actual percent is the “performance actual” of

**Figure 25.** Performance and Funding for Measure 1.1.02

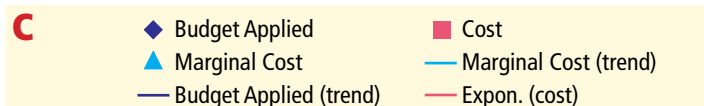
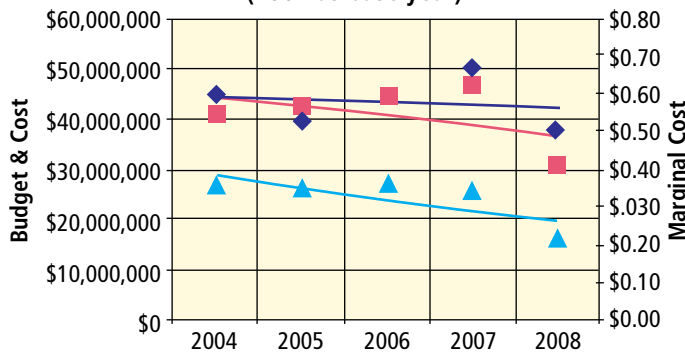
**1.1.02** Percent of BLM acres that have achieved desired condition (proper functioning condition and land health standards) where condition is known and as specified in management plans. (SP/PART)

Budget and cost stated in absolute dollars

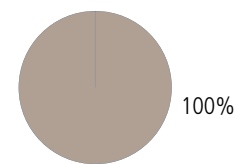
<b>A</b>	2004	2005	2006	2007	2008 Projected	Trend Type & R-Sq
<b>Budget Applied</b>	\$44,913,671	\$41,183,213	\$45,839,961	\$54,799,565	\$42,365,512	Log. 0.0735
<b>Cost</b>	\$40,239,959	\$43,405,790	\$47,122,377	\$50,161,558	\$34,174,085	Exp. 0.0373
<b>Performance Target</b>	115,991,274	123,949,644	123,952,644	131,756,644	143,414,846	Exp. 0.9260
<b>Performance Actual</b>	115,991,274	123,949,644	123,952,644	135,410,346	143,414,846	Exp. 0.9442
<b>Performance Percent</b>	45	48	48	52	56	
<b>Marginal Cost</b>	\$0.35	\$0.35	\$0.38	\$0.37	\$0.24	Exp. 0.3329



**Budget and Cost Stated in Constant Dollars (2004 as base year)**



**How Funding Was Applied: Performance Measure 1.1.02**



2007 Spending in PM 1.1.02		
Provide Outreach/Customer Service		\$0
Assess/Inventory Condition/Status		\$0
Perform Planning		\$0
Authorize Use		\$0
Implement BLM-Initiated Actions	100%	\$50,161,558
Perform Monitoring		\$0
Manage Compliance		\$0
<b>Total</b>		<b>\$50,161,558</b>



135,410,846 acres divided by 258,000,000 acres, which yields 52 percent. The performance target for performance measure 1.1.02 has steadily increased from 2004 through 2007 and is projected to increase in 2008, as shown in figure 25, chart D. Despite the performance increase, the BLM has substantially met its performance targets over this period, including those for 2007.

There has been a slight increase in budgetary resources applied to this measure, and a slight decrease in total cost when stated in absolute dollars. The marginal cost per acre of restoration has also decreased slightly. Figure 25, chart C, shows a decrease in budget applied and total cost, and a relatively unchanged marginal cost when those factors are stated in constant dollars, i.e., when absolute dollars are adjusted for inflation. Of the funding applied to this measure, all of the funding was used to implement BLM-initiated actions.

While analysis indicates that achieving our goal of improving land health is becoming somewhat more costly, we need to keep in perspective that not all improvements relate to treatment or management. A major part of the achievement is simply in assessing more lands and determining status. However, the cost of management and treatment to improve land health for the American people is very much worth the investment: 1) soil is a fragile, finite resource and once lost, it can take centuries for erosion and other forces to form another productive soil, 2) communities downstream from BLM watersheds are affected by water and air quality that result from BLM management practices, and 3) communities

depend on healthy, productive rangelands for forage and habitat values (figure 26). Our field offices are continuing to increase efficiency by conducting their inventories, assessments, evaluations, and National Environmental Policy Act work through an interdisciplinary approach. Staff members continue to plan and conduct management and treatment to benefit multiple programs.

On rangelands for example, land health is measured by determining if grazing allotments are meeting land health standards. An interagency team is currently working to address planning, implementation, and evaluation of treatments for the Healthy Lands Initiative across the landscape. The evaluation process will allow us to practice adaptive management and establish best management practices.

Improved land health is determined by increasing or maintaining desirable species abundance and diversity, decreasing noxious weed infestations, increasing native species habitat, returning to the historic (natural) fire cycle, lessening wildland fire intensity, and evaluating monitoring information and responding timely with better management. An example is BLM's salinity control program in the Colorado River Basin that strives to provide the best management of the basic resource base. Successes with the resource base will translate to improved vegetation cover, better use of onsite precipitation, and stronger plant root systems. In turn, a more stable runoff regime and reduced soil loss should result, lessening salt loading and benefiting the water quality of the Colorado River.

Our performance goals are generally achieved through a variety of treatments. The Healthy Lands Initiative affords us the opportunity to think on a larger scale and apply a multitude of treatments, like prescribed fire, mechanical thinning, chemical applications, seeding (aerial, hand, and mechanical), plugging of orphaned and/or abandoned wells, and creation of best management practices that limit road construction and require directional drilling, for example.

Performance goals are also achieved by enlisting the assistance of our permittees and

**Figure 26.** Healthy lands provide habitat for pronghorn antelope and many other species.



the public. The important contributions from our variety of partnerships will be an increasingly significant part of our strategy. We have and will continue to support educational opportunities for partners, such as the successful Creeks and Communities

program, proper functioning condition training sessions, and joint cooperative monitoring effort.

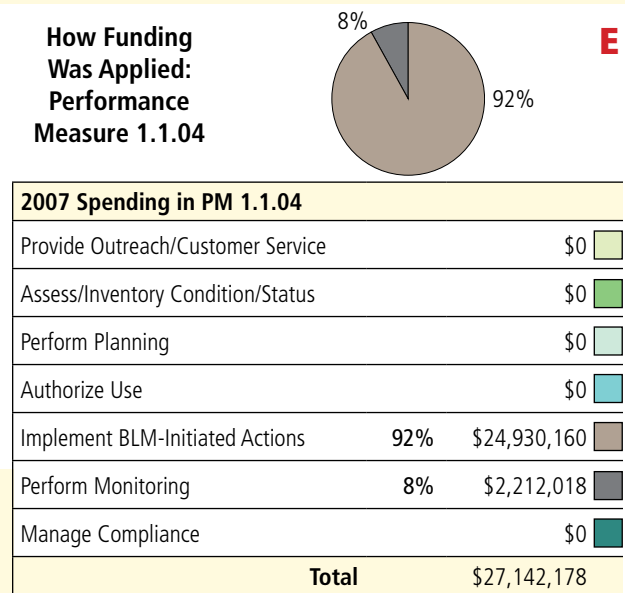
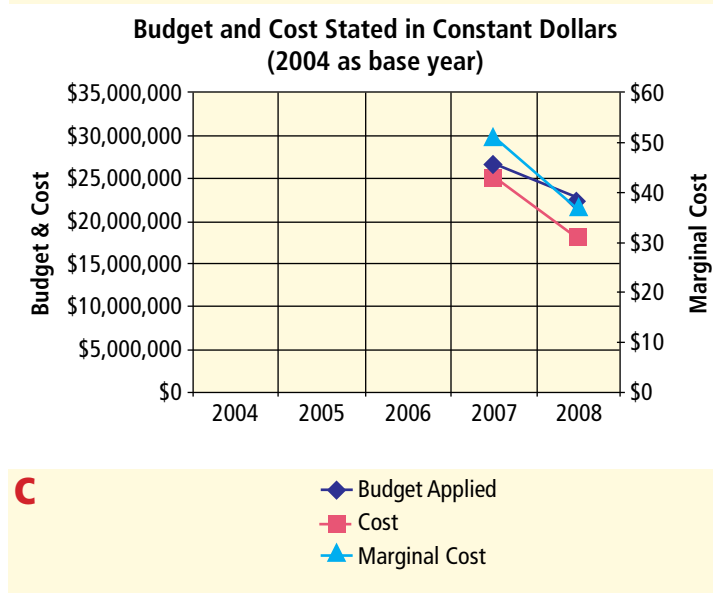
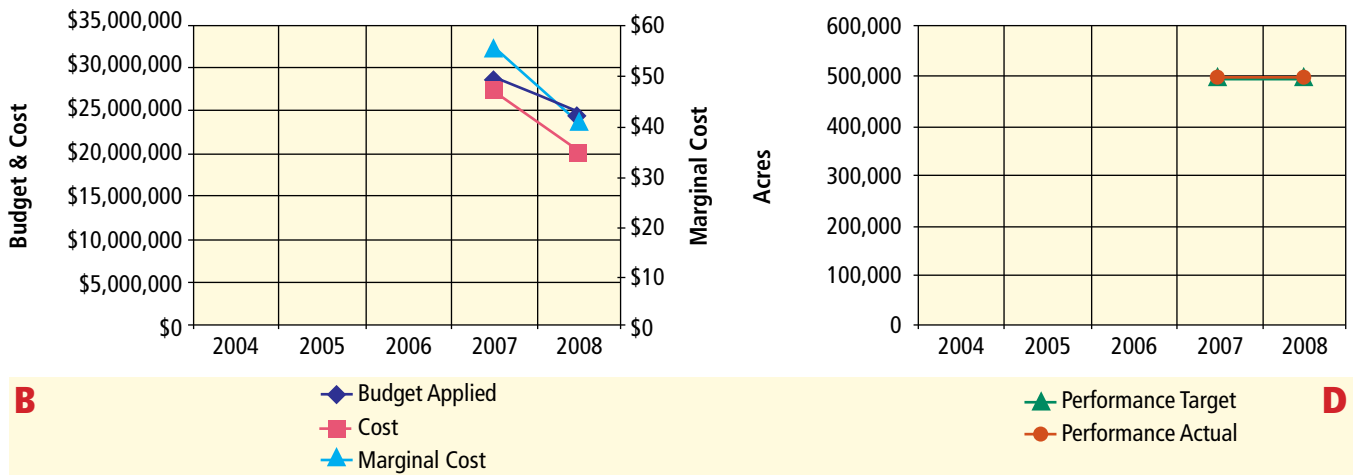
Figure 27 shows performance and funding analysis for performance measure 1.1.04.

**Figure 27.** Performance and Funding for Measure 1.1.04

**1.1.04 Wildland Fire:** Percent of acres treated which achieve fire management objectives as identified in applicable management plans. (SP)

Budget and cost stated in absolute dollars

<b>A</b>	2004	2005	2006	2007	2008 Projected	Trend Type & R-Sq
<b>Budget Applied</b>				\$28,985,828	\$24,982,245	N/A
<b>Cost</b>				\$27,142,178	\$19,948,885	N/A
<b>Performance Target</b>				489,601	489,601	N/A
<b>Performance Actual</b>				489,601	489,601	N/A
<b>Performance Percent</b>				100	100	
<b>Marginal Cost</b>				\$55.44	\$40.75	N/A





This is a new performance measure, so there is no cost or performance data for prior years. The data collected for 2007 (489,601 treated acres) will be used to establish a baseline quantity, which will become the denominator in arriving at the performance percent. As such, the 2007 ratio is 489,601 divided by 489,601, which yields 100 percent—thus the performance target for performance measure 1.1.04 was met for 2007. Of the funding applied to this measure, about 92 percent was used to implement BLM-initiated actions and the remainder was used for monitoring.

Historically, we know that fire has always shaped our landscape. Unfortunately today's fires are not those of the past; they are often hotter, more destructive, and more dangerous. Compared with earlier times, many of today's public lands have high levels of flammable materials, including underbrush, needles, leaves, encroaching species, like juniper, and invasive weeds that cure out early in the season. Drought across the West is also a factor and adds to these threats.

To address these threats, the Healthy Forest Initiative was launched in August 2002 with the intent to reduce the risks severe wildfire poses to people, communities, and the environment. By protecting forests, woodlands, and rangelands (shrublands and grasslands) from unnaturally intensive and destructive fires, the Healthy Forest Initiative helps improve the condition of our public lands, increases firefighter safety, and conserves landscape attributes valued by society.

One solution for dealing with the intensity of wildfire is the removal of hazardous fuels, making them unavailable for fire's inevitable appearance. During the past 5 years, hazardous fuels have been reduced on over 2.2 million acres of public lands, focusing on collaborative approaches to reduce risk and providing rural economic opportunities. In FY 2007, the BLM treated 489,601 acres to reduce hazardous fuels.

All treatment plans begin with fire and fuels management objectives. This new measure will ensure that fire management and resource management plan (RMP)

objectives are included in the treatment plans for each project. By so doing, it is more likely that multiple objectives can be accomplished with each treatment.

Reducing hazardous fuels across public lands is a high priority for the BLM. Fuels reduction projects are designed to reduce the intensity of wildfire, which reduces risk to communities, natural resources, the public, and firefighters. The fuels staff, in concert with other natural resource programs such as wildlife, range management, and forestry, develops joint projects with multiple goals. These projects allow scarce appropriated funds to be leveraged for multiple benefits to natural resources.

### ***Factors Influencing Performance***

Drought, wildland fire, and exotic weed infestations are the predominant factors affecting the health of the public land that frequently are not within our control. Through the treatments outlined above, the BLM is attempting to increase land health resilience so that the land can withstand these factors and recover naturally.

### ***2008 Performance Forecast***

The Healthy Lands Initiative is projected to include \$15 million of appropriated funds and possibly \$10 million from partners for six pilot office projects. The initiative will focus on sustaining and improving habitat conditions and species distributions and viability on a broad scale by treating 407,000 priority acres of vegetation. This effort will complement habitat reclamation and mitigation efforts required of energy development companies, but not relieve them of obligations under existing lease and agreement stipulations. In nonenergy development areas, landscape-scale restoration will increase habitat resilience across multiple ownerships. Overall, the initiative will allow the BLM to do substantially more in considerably less time due to the significant funding increase and efficiencies created by targeting larger areas.

The hazardous fuels reduction program will continue to treat a similar amount of

acreage per year. The priority will remain to reduce the risk to communities in the wildland urban interface. The fuels program will work closely with other BLM programs to leverage funds and increase the treatment acres through jointly funding and implementing projects that meet multiple goals.

As additional land health assessments and evaluations are completed, the projection of rangelands meeting land health standards will increase from 52 percent in 2007 to 54 percent in 2008. For the wildlife program, less emphasis will be placed on inventory, monitoring will remain consistent, and additional emphasis will be placed on activities that support habitat restoration. Implementing forest restoration will continue to be an emphasis to improve forest resiliency to disturbances from wildfires, insects, and disease.

### Sustain Biological Communities

Figure 28 shows how funding was applied to sustain biological communities.

#### Description

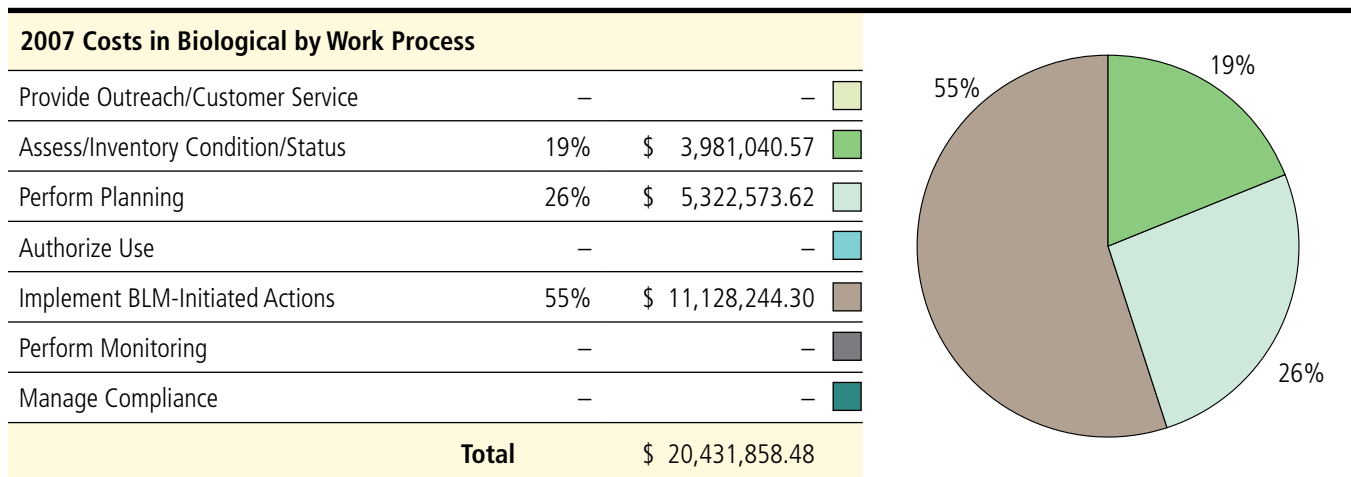
The biological communities that the BLM works to sustain are comprised of populations of plants and animals. The communities themselves can be defined by where they are found and how they interact with each other and their surroundings. The

public lands are the last refuges for many vanishing species. There are more than 300 plant and animal species on the Federal list of threatened and endangered species and over 1,200 Bureau-designated sensitive species on BLM lands. BLM lands provide habitat for at least 109 salmon and steelhead stocks that are threatened with extinction.

The land managed by the BLM is divided into state, district, and field office jurisdictions. Field offices identify planning units that require further refinement of management objectives for unique biological or resource management considerations. From a biological standpoint, these levels of organization encompass the places where individual plants and animals live, the area used by groups of plants and animals, the area needed for groups to interact, and the area needed for plants and animals to disperse or migrate. Sometimes this area can be large enough to contain different habitats and climates. Sustaining biological communities also covers a number of timeframes. The activities that take place on public lands can span a single day, a season, or a number of years, which corresponds to a portion of a plant's or animal's life, an entire lifespan, or a number of generations.

Through the land use planning process, the BLM develops a blueprint for achieving biological sustainability. This blueprint includes allocating and managing uses and improving the habitat in the same or other areas that take into account the needs of

**Figure 28.** How Funding Was Applied: Sustain Biological Communities





plants, fish, and wildlife, including game and nongame species. We manage and recover habitat for listed species, and it is our policy to treat BLM sensitive species as if they were listed. We plan for the restoration of priority areas, including rehabilitating lands after wildfire and controlling and containing nonnative invasive plants, and we have invested 6 years into native seed collection and developing new native plant materials to ensure we are able to sustain the biological integrity, diversity, and stability of the lands we manage. We enter into partnerships and build community support for management actions, and we recognize those users who exemplify management that sustains our biological communities in numerous program areas.

### ***Measuring Progress—2007 Results for Selected Measures***

Figure 29 shows performance and funding analysis for performance measure 1.2.01.

The baseline quantity for performance measure 1.2.01 is 35,000,000 acres. Therefore, the actual percent is the “performance actual” of 338,585 acres divided by 35,000,000 acres, which yields 1 percent. The performance targets for performance measure 1.2.01 have steadily increased from 2004 through 2007 and are projected to increase in 2008, and the actual performance achieved has increased as shown in figure 29, chart D. However, the BLM did exceed its performance target in FY 2007 for this measure.

The analysis of funding and cost shows there has been a small increase in budgetary resources applied to this measure and a slight decline in total cost when stated in absolute dollars. BLM field offices have been able to continue invasive plant treatments with little increase to total cost through cooperative agreements with counties and local groups and extensive outreach with local communities. The marginal cost per acre to control invasive plant infestations has decreased. Figure 29, chart C, shows a constant budget and a decrease in both total cost and marginal cost when dollars

are adjusted for inflation. All of the funding applied to this measure was used to assess/inventory condition/status.

One example of a substantial achievement related to the control of invasive plant species is BLM’s completion of the “Final Vegetation Treatments Programmatic Environmental Impact Statement.” This environmental impact statement provides a framework for a variety of vegetation treatments across the Bureau. The overall goal of vegetation treatments is to improve ecosystem health and sustainability. The environmental impact statement provides updated National Environmental Policy Act analysis to assist BLM field staff and provide them with new tools for vegetation control on public lands, such as prescribed fire; wildland fire use for resource benefit; and mechanical, manual, and biological control methods. The expectation is that we will be able to complete more on-the-ground projects in FY 2008.

In FY 2007, there were several developments in native plant materials used in habitat restoration, burn area rehabilitation, and postfire soil stabilization projects. More than 30 new species of forbs, grasses, and shrubs were developed for use in the Great Basin. Native grasses and forbs that were in development for seed production 6 years ago are now available for purchase. And new species of needlegrass and native penstemon are currently in development for use in the native plant program. The increase in the number and types of plants available for use in stabilization and rehabilitation projects means greater diversity across the landscape and a greater ability for restoring native plant communities that resist infestations of invasive species (weeds) and support greater numbers and diversity of animals.

Figure 30 shows performance and funding analysis for performance measure 1.2.03.

Performance measure 1.2.03 is not measured as a percent, and therefore, it has no baseline.

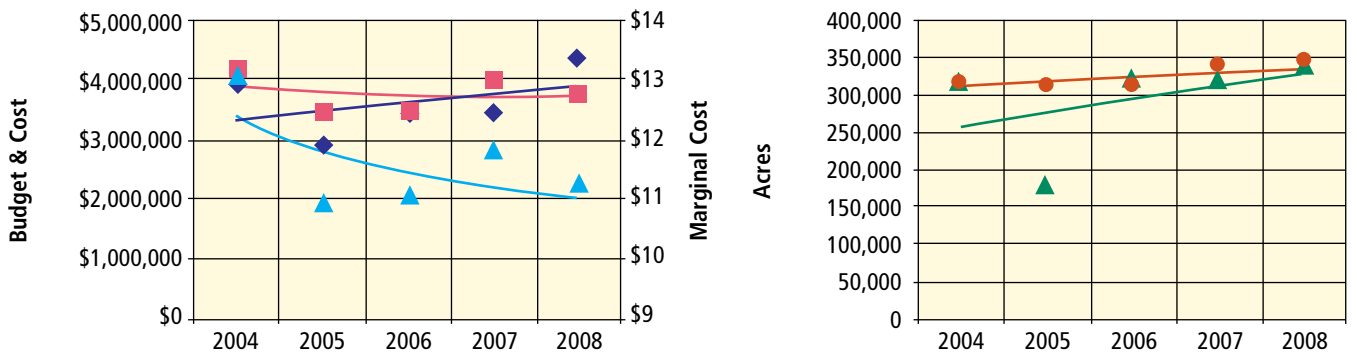
Performance measure 1.2.03 is a new measure for 2007 so there is no cost or performance data for prior years. The

**Figure 29.** Performance and Funding for Measure 1.2.01

**1.2.01** Percent of baseline acres infested with invasive plant species that are controlled. (SP/PART)

Budget and cost stated in absolute dollars

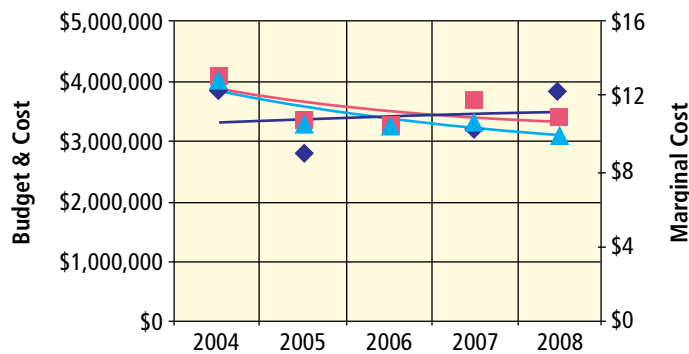
<b>A</b>	2004	2005	2006	2007	2008 Projected	Trend Type & R-Sq
<b>Budget Applied</b>	\$3,911,460	\$2,902,751	\$3,413,519	\$3,471,748	\$4,361,647	Linear 0.1779
<b>Cost</b>	\$4,117,409	\$3,458,262	\$3,423,417	\$3,981,041	\$3,799,252	Log. 0.0582
<b>Performance Target</b>	316,480	178,815	320,000	318,000	338,585	Linear 0.1977
<b>Performance Actual</b>	316,480	317,959	310,332	338,585	338,585	Linear 0.5967
<b>Performance Percent</b>	1	1	1	1	1	
<b>Marginal Cost</b>	\$13.01	\$10.88	\$11.03	\$11.76	\$11.22	Log. 0.4150



**B** ◆ Budget Applied    ▲ Marginal Cost    — Budget Applied (trend)    ■ Cost    — Marginal Cost (trend)    — Cost (trend)

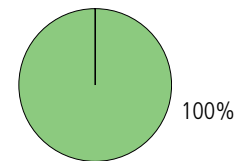
**D** ▲ Performance Target    ● Performance Actual    — Performance Target (trend)    — Performance Actual (trend)

**Budget and Cost Stated in Constant Dollars (2004 as base year)**



**C** ◆ Budget Applied    ▲ Marginal Cost    — Budget Applied (trend)    ■ Cost    — Marginal Cost (trend)    — Cost (trend)

**How Funding Was Applied: Performance Measure 1.2.01**

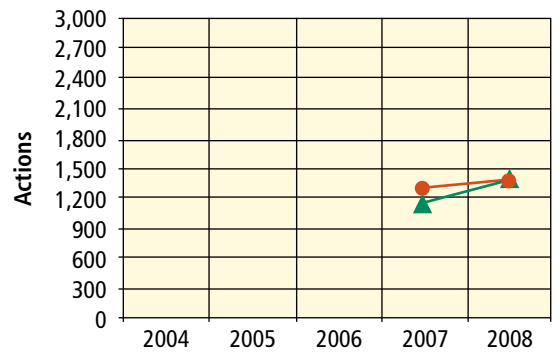
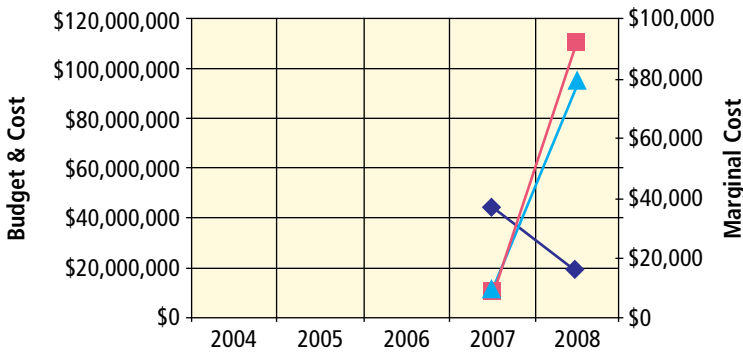


2007 Spending in PM 1.2.01	
Provide Outreach/Customer Service	\$0
Assess/Inventory Condition/Status	100% \$3,981,041
Perform Planning	\$0
Authorize Use	\$0
Implement BLM-Initiated Actions	\$0
Perform Monitoring	\$0
Manage Compliance	\$0
<b>Total</b>	<b>\$3,981,041</b>

**Figure 30.** Performance and Funding for Measure 1.2.03

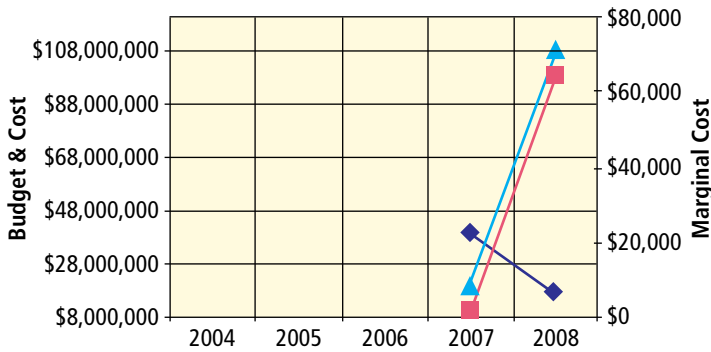
**1.2.03** Number of conservation actions implemented from recovery plans for Endangered Species Act listed species. (Bur/PART)  
 Budget and cost stated in absolute dollars

<b>A</b>	2004	2005	2006	2007	2008 Projected	Trend Type & R-Sq
<b>Budget Applied</b>				\$43,410,110	\$19,929,024	N/A
<b>Cost</b>				\$11,285,124	\$109,605,281	N/A
<b>Performance Target</b>				1,150	1,375	N/A
<b>Performance Actual</b>				1,254	1,375	N/A
<b>Marginal Cost</b>				\$8,999	\$79,713	N/A



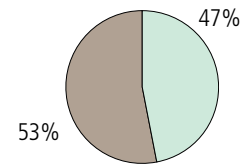
**B** ◆ Budget Applied ▲ Performance Target **D**  
■ Cost ● Performance Actual  
▲ Marginal Cost

**Budget and Cost Stated in Constant Dollars (2004 as base year)**



**C** ◆ Budget Applied  
■ Cost  
▲ Marginal Cost

**How Funding Was Applied: Performance Measure 1.2.03**



<b>2007 Spending in PM 1.2.03</b>		
Provide Outreach/Customer Service		\$0
Assess/Inventory Condition/Status		\$0
Perform Planning	47%	\$5,322,574
Authorize Use		\$0
Implement BLM-Initiated Actions	53%	\$5,962,550
Perform Monitoring		\$0
Manage Compliance		\$0
<b>Total</b>		<b>\$11,285,124</b>



performance target for performance measure 1.2.03 was exceeded by about 9 percent for 2007. Figure 30, chart E, shows that 53 percent of the funding applied to this measure was used to implement BLM-initiated actions and the remaining 47 percent was used for planning.

Because we manage land and habitat but not the wildlife, it is difficult for the BLM to directly quantify species recovery. The BLM participates in threatened and endangered species recovery by conserving and restoring habitat or by applying guidelines and restrictions to activities or land uses, whether authorized by permit or not, thus allowing plants and animals the time and space needed to reach recovery goals. These activities are accounted for as “recovery actions” in sustaining biological communities and various habitat “treatments” in land health.

Sustaining biological communities on public lands is tied to implementing actions identified in recovery or conservation plans. These plans are written to recover or conserve plants and animals that are listed or candidates for listing under the Endangered Species Act, as well as plants and animals that are considered Bureau sensitive species. These recovery or conservation actions can include on-the-ground projects like protecting habitat by fencing, restricting activities during the growing season or breeding or nesting season, or restoring vegetation or landscape features to improve habitat quality. Recovery and conservation actions also include surveys to find individuals or populations and public education and outreach efforts to promote awareness and cooperation in species conservation and recovery efforts.

The BLM has many examples of conservation actions implemented from recovery plans, stream miles of habitat restored, and habitat restored or enhanced that directly support conservation and recovery of species listed under the Endangered Species Act and Bureau-designated sensitive species. One example is in Nevada, where the BLM is monitoring the desert tortoise population to sustain biological communities that support the tortoise (figure 31). This work supports

the Clark County multiple species habitat conservation plan and helps achieve the objectives of the desert tortoise recovery plan.

Another FY 2007 project involves roads monitoring on BLM lands (figure 32). The project is a coordinated program for the National Park Service and the BLM to aid in the management and recovery of species covered by the multiple species habitat conservation plan. This multiyear project focuses on priority lands and other high resource value areas such as mesquite woodlands, wilderness study area released lands, wilderness study area boundaries, and low-elevation plant species habitat. The strategy is to include a condition inventory of high resource value areas, monitoring

**Figure 31.** The BLM monitors desert tortoise populations.



**Figure 32.** Roads monitoring on BLM lands helps provide information for habitat management and species recovery.



and maintenance of signs, an inventory of disturbances and incursions, traffic level monitoring of roads in habitat for covered species, and information feedback to other resource protection programs.

In Montana, work is being done to sustain biological communities by implementing part of the Montana sage-grouse conservation plan. Working with the state and other interested parties, the BLM is assessing the quality of grazing allotments for sage-grouse breeding and winter habitat (figure 33). Using standardized measurements and following established protocols, measurements are being taken that represent nesting and winter habitat

**Figure 33.** Standardized measurements help the BLM understand breeding and wintering needs of greater sage-grouse.



**Figure 34.** Culvert replacements in Lemhi Basin, Idaho, help restore natural stream channel characteristics for Chinook salmon.



associated with known leks under a variety of grazing and ungrazed conditions. The information gathered in this project will also help managers understand what the relationships are between grazing and areas used by sage-grouse. A better understanding of this relationship helps the BLM meet the needs of the public for resource protection.

A number of innovative and effective fishery habitat enhancements and restoration projects have been completed by the BLM to conserve and restore fish listed under the Endangered Species Act in Idaho's Lemhi Basin. Historically the Lemhi, a tributary of the Columbia River system, was a major producer of Chinook salmon and Snake River steelhead. Diversions, roads, mining, grazing, and recreational development have disrupted habitats and habitat connections in this basin. Local agencies, special interests, and landowners are working together to restore habitats and connectivity. Much of the cooperative effort has been spearheaded by the Upper Salmon Basin Watershed Project—a local entity supported primarily by the State of Idaho.

Culvert replacements on public lands in the Lemhi Valley (figure 34) are designed using concepts of “stream simulation” to mimic the habitat characteristics of the natural stream channel and ensure that all life stages are capable of passing upstream.

The preparation of plans in western Wyoming to mitigate impacts of oil and gas development on water quality and soil surface condition is another example of accomplishments in 2007. This work has included analyzing sites for potential impacts, modeling, making recommendations, and in some cases, negotiating the development of mitigating measures. The measures involve controlling increases of sedimentation (and often salinity) due to movement of storm water or produced water at coal bed methane sites; increases in ozone, particulate matter, and other air pollutants; and increases of environmental damage due to unstable or inappropriate soils on road locations and other construction sites. This work has been significantly beneficial to the nation in reducing the impacts of necessary energy development.

**Factors Influencing Performance**

Drought combined with wildfire influences our ability to control invasive and noxious weeds. For example, certain weed species such as spotted knapweed, downy brome, and cheatgrass invade and take over the open space after wildfires. Since the root systems of these species do not stabilize the soil, they actually increase soil erosion while producing up to 1,000 seeds per plant and adding more instability to the site. Drought that occurs after weed emergence toughens or hardens plants and drought-stressed weeds are more difficult to eliminate with postemergence weed control efforts.

For management of species listed under the Endangered Species Act, we know that not all recovery actions are equal in their contribution toward species recovery. Additionally, most actions that are counted under this goal originate in recovery plans, and recovery plans have not been completed for 100 percent of the listed species.

**2008 Performance Forecast**

The BLM anticipates that we will complete the planned work and targets for FY 2008. The dollar increases proposed in support of the Healthy Lands Initiative and the additional funding directed to the National Landscape Conservation System lands and the wild horse and burro programs should increase the on-the-ground management and project work accomplished

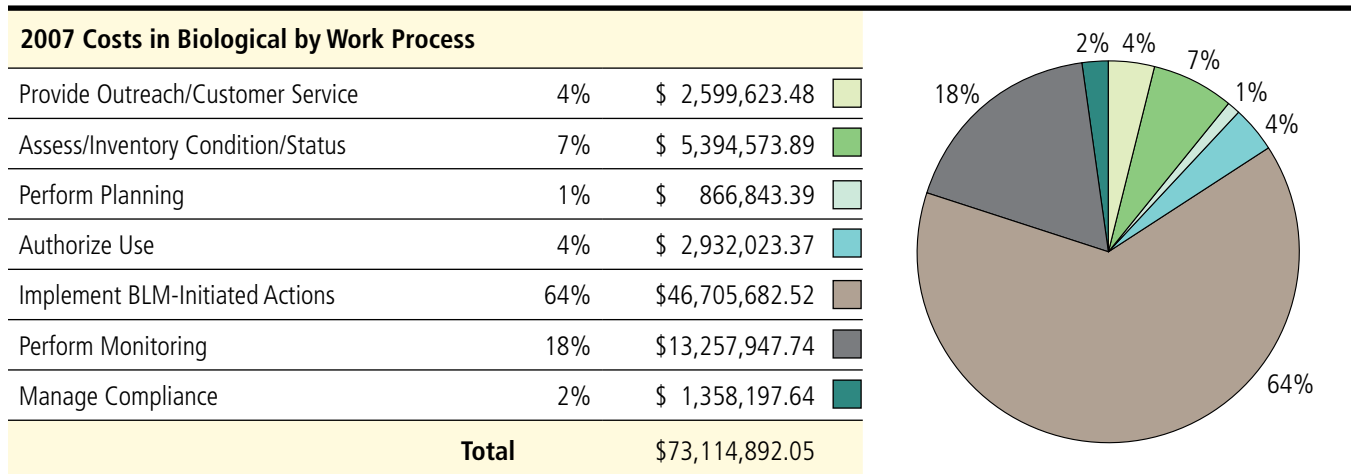
in sustaining biological communities. This work will include inventorying and treating invasive or noxious weeds, planning for threatened and endangered species recovery, implementing species recovery and conservation actions, and applying stream and riparian treatments.

The BLM has initiated an effort to strategically invest in the highest priority species found on BLM-administered lands, including those listed under the Endangered Species Act and those designated as sensitive by the Bureau. Recovery actions for which the BLM is totally or partially responsible indicates the cost to implement actions in recovery plans is approximately \$300 million over the next 5 years. In FY 2007, each state office identified those species of management concern (whether listed or unlisted) that are of greatest importance to their state. In FY 2008, states will begin reporting on progress toward recovery of these species on the lands they administer. Future tracking of this measure is expected to significantly improve the ability of the BLM to measure the success of the endangered species program, as well as to identify opportunities for future delisting of endangered species occurring on BLM lands.

**Protect Cultural and Natural Heritage Resources**

Figure 35 shows how funding was applied for protect cultural and natural heritage resources.

**Figure 35.** How Funding Was Applied: Cultural and Natural Heritage Resources





### **Description**

The public lands administered by the BLM contain a wealth of cultural and paleontological resources, collectively referred to as heritage resources. These resources are important to our understanding of both recorded history and prehistory—the period of time before written history. They represent a priceless heritage, which must be protected for future generations. The public lands are dotted with literally hundreds of thousands of archaeological and historic resources that document at least 13,000 years of human history. BLM’s cultural resources include: scatters of prehistoric artifacts, ancient Paleo-Indian mammoth kill sites, stratified cave deposits, oversized ground figures etched into desert pavements (intaglios), prehistoric complexes of Ancestral Puebloan villages and cliff dwellings, remnants of Spanish- and Russian-period exploration, the trails and outposts of historic-era exploration and settlement, lighthouses that guided ships at sea, evidence of mining and ranching, and even traces of 19th and 20th century military activities. Because so much of western history was played out on the public lands, the BLM is the only Federal land managing agency that can tell the complete story of people on these western lands.

BLM’s cultural resources reflect nearly every cultural tradition and ethnicity present in American society, including first Americans (ancient cultures and contemporary Indian tribes) and immigrant Americans (explorers, miners, ranchers, homesteaders, soldiers, and others). For researchers, educators, and interpreters, these resources tell us when people first arrived on the continent, how they dispersed, how cultures flourished, what led to their demise, how they perceived the spiritual world, how they interacted with other cultural groups, how they exploited—and perhaps overexploited—their environments, how they treated their dead, how and why they came into conflict, and much more. The lessons we can learn from past cultures have direct relevance to the choices facing our society today.

BLM lands also contain a wide variety of fossils. Fossils are the remains or traces of activity from any organism preserved in the Earth’s crust; generally, fossilization occurs as organic material is replaced by minerals. Paleontology is the study of those remains. Scientists get their clues from the tiniest bacteria to the largest creatures, and these clues help solve the fascinating riddles of life on Earth and tell us about the physical changes in the Earth itself. Fossils have taught us the ways in which all life forms are interdependent and affected by the environment. Through careful collection and study of our nation’s fossils, scientists learn the story of origins and endings—life, death, and change—played out over nearly 3.5 billion years of the Earth’s 4.5 billion-year history. Consequently, the public lands provide great outdoor laboratories and classrooms for the study of paleontology and also contribute significantly to public exhibits found in museums.

### **Measuring Progress— 2007 Results for Selected Measures**

Figure 36 shows performance and funding analysis for performance measure 1.3.02.

The baseline quantity for performance measure 1.3.02 is 326 structures. Therefore, the actual percent is the “performance actual” of 158 structures divided by 326 structures, which yields 48 percent. This is a new performance measure, so there is no cost or performance data for prior years. Of the funding applied to this measure, about 37 percent was used for assessing/inventorying condition/status, about 20 percent for authorizing use, about 27 percent for implementing BLM-initiated actions, and the remaining 16 percent was used for monitoring.

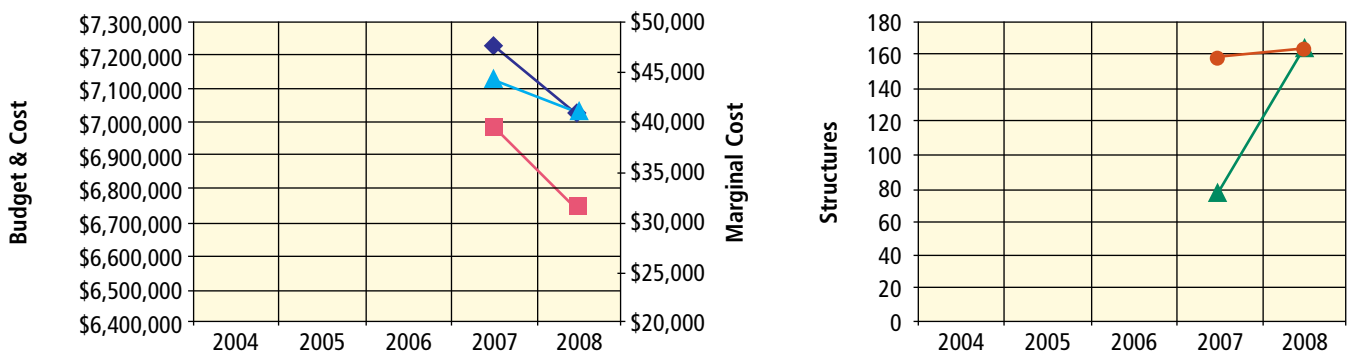
The performance target for performance measure 1.3.02 was not met for 2007. The target of 77 structures in good condition was set using the inventory available at the time the target was established. Since that time, additional historic structures have been added to the inventory, which has had the effect of reducing the overall percent of structures in

**Figure 36.** Performance and Funding for Measure 1.3.02

**1.3.02** Percent of historic structures in BLM inventory in good condition. (SP)

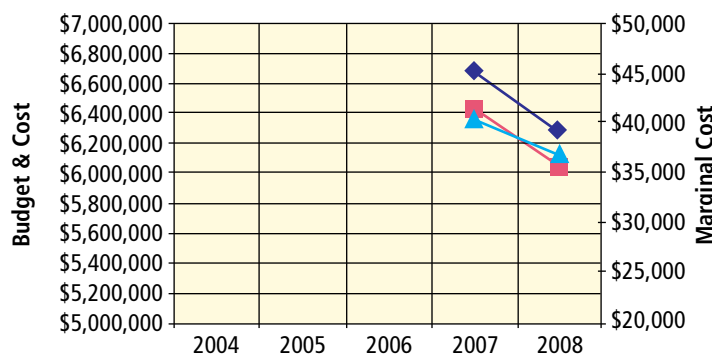
Budget and cost stated in absolute dollars

<b>A</b>	2004	2005	2006	2007	2008 Projected	Trend Type & R-Sq
<b>Budget Applied</b>				\$7,230,817	\$7,020,672	N/A
<b>Cost</b>				\$6,984,073	\$6,738,322	N/A
<b>Performance Target</b>				77	164	N/A
<b>Performance Actual</b>				158	164	N/A
<b>Performance Percent</b>				48	49	
<b>Marginal Cost</b>				\$44,203	\$41,087	N/A



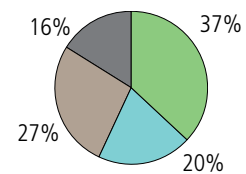
**B** Budget Applied (blue diamond), Cost (red square), Marginal Cost (cyan triangle) | **D** Performance Target (green triangle), Performance Actual (orange circle)

**Budget and Cost Stated in Constant Dollars (2004 as base year)**



**C** Budget Applied (blue diamond), Cost (red square), Marginal Cost (cyan triangle)

**How Funding Was Applied: Performance Measure 1.3.02**



**2007 Spending in PM 1.3.02**

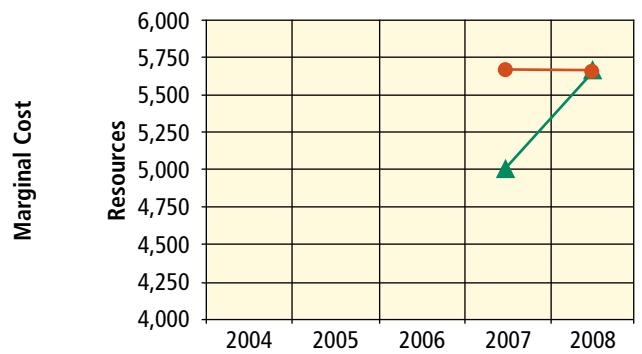
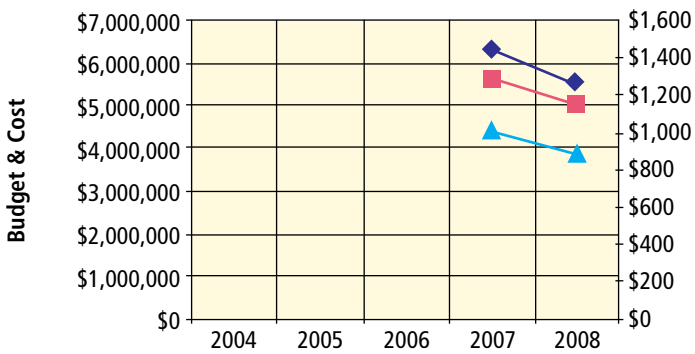
Category	Percentage	Amount
Provide Outreach/Customer Service		\$0
Assess/Inventory Condition/Status	37%	\$915,205
Perform Planning		\$0
Authorize Use	20%	\$501,583
Implement BLM-Initiated Actions	27%	\$668,528
Perform Monitoring	16%	\$398,757
Manage Compliance		\$0
<b>Total</b>		<b>\$2,484,073</b>

**Figure 37.** Performance and Funding for Measure 1.3.07

**1.3.07 Heritage Resources:** Number of heritage resources conserved for public benefit. (Bur)

Budget and cost stated in absolute dollars

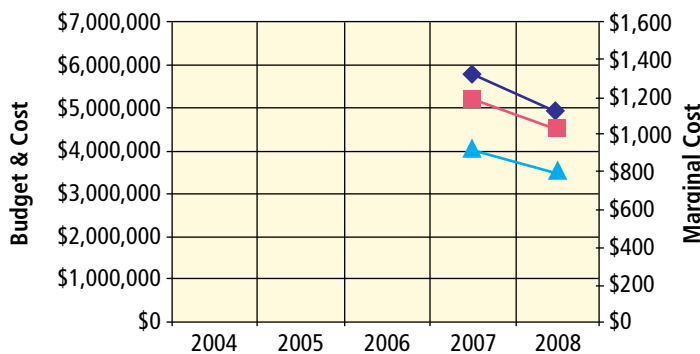
<b>A</b>	2004	2005	2006	2007	2008 Projected	Trend Type & R-Sq
<b>Budget Applied</b>				\$6,276,446	\$5,488,630	N/A
<b>Cost</b>				\$5,632,295	\$5,032,794	N/A
<b>Performance Target</b>				5,000	5,664	N/A
<b>Performance Actual</b>				5,664	5,664	N/A
<b>Marginal Cost</b>				\$994	\$889	N/A



**B** ◆ Budget Applied  
 ■ Cost  
 ▲ Marginal Cost

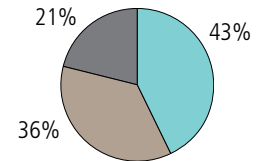
**D** ▲ Performance Target  
 ● Performance Actual

**Budget and Cost Stated in Constant Dollars (2004 as base year)**



**C** ◆ Budget Applied  
 ■ Cost  
 ▲ Marginal Cost

**How Funding Was Applied: Performance Measure 1.3.02**



<b>2007 Spending in PM 1.3.02</b>		
Provide Outreach/Customer Service		\$0
Assess/Inventory Condition/Status		\$0
Perform Planning		\$0
Authorize Use	43%	\$2,430,440
Implement BLM-Initiated Actions	36%	\$2,005,585
Perform Monitoring	21%	\$1,196,270
Manage Compliance		\$0
<b>Total</b>		<b>\$5,632,295</b>

good condition. Targets for this measure will be adjusted upward in future years.

At the outset of FY 2007, the BLM developed an initial list of historic sites with

standing structures, which included 128 named places (not to be confused with the number of standing structures), of which 77, or 60 percent, were deemed to be in



“good” condition. At present, 245 named historic places are on the list, of which 127, or 52 percent, are estimated to be in good condition; the decline in the percentage in good condition is attributed to the fact that more of the recently identified places are in poorer condition.

In 2007, the BLM spent considerable time and money stabilizing historic structures, both to address this measure and to fulfill the intent of Executive Order 13287 on Preserve America, which directs the BLM to use its cultural resources to promote heritage tourism. BLM’s Bishop field office in California stabilized and interpreted the Saline Valley Salt Tram, Conway Ranch, and Golden Gate Mill, three sites variously related to 19th and 20th century mining, ranching, and engineering. Rehabilitation of the Fairbank Schoolhouse, in Arizona’s San Pedro Riparian National Conservation Area, was completed so that it now contains a replica 1930s one-room school, a public information center, and a gift shop. A unique project has been underway in Oregon’s Coos Bay District, in partnership with the American Rhododendron Society, to restore a post-World War II classic English woodland garden containing exotic trees and rhododendron varieties no longer grown. In the Vernal field office in Utah, Enduring Resources Energy Company spent about \$160,000 to restore a 1930s-era stone structure associated with early gilsonite mining in the Uinta Basin. Volunteers and partners were instrumental in the completion of all these restoration projects.

Figure 37 shows performance and funding analysis for performance measure 1.3.07.

Performance measure 1.3.07 is not measured as a percent and, therefore, it has no baseline. This is a new performance measure, so there is no cost or performance data for prior years. The performance target for performance measure 1.3.07 was exceeded in 2007 by about 13 percent. Of the funding applied to this measure, about 43 percent was used for authorizing use, about 36 percent was used for implementing BLM-initiated actions, and the remainder, about 21 percent, was used for monitoring.

### *Lighthouse Preservation*

BLM’s preservation and stabilization of lighthouses fulfills the intent of Preserve America and the National Historic Lighthouse Preservation Act of 2000. In 2007, the BLM stabilized lighthouses in Washington (Turn Point), Oregon (Yaquina Head), and California (Piedras Blancas), and transferred another (Cana Island) to Door County, Wisconsin, to ensure long-term preservation. A \$1 million facelift restored Yaquina Head to the same condition and appearance it had in 1873 (figure 38).

### *Archaeological Research*

A fossil horse skeleton was discovered at Fossil Lake, Oregon, by the South Dakota School of Mines and Technology, the most complete large mammal skeleton ever found there. Its stratigraphic position dates the specimen at a little over 10,000 years—at the time of extinction of horses in North America and before their supposed reintroduction into North America by the Spaniards. Human association is a distinct

**Figure 38.** The BLM stabilized the Yaquina Head Lighthouse in Washington in 2007.



possibility, and preliminary examination of some bones suggests evidence of bone cutting and possibly breakage for marrow extraction.

BLM's Burns district in Oregon has begun investigating the Sage Hen Gap Clovis Site, where five 12,000-year-old Clovis specimens have been found; this is only the second site in Oregon to yield evidence of a Clovis campsite. Burns is also in the final year of excavation at the Mortar Riddle Site, where 2,000-year-old wickiup-like structures have been uncovered at this spring-summer-fall base camp.

In Agua Fria National Monument, Arizona State University continued its Legacies on the Landscape project by recording and analyzing three systems of ancient farming terraces on Perry Mesa. Northern Arizona University also published a book on Agua Fria National Monument that examines prehistoric communities throughout the monument.

#### ***Paleontological Investigations***

The most complete North American *Rhynchotherium* fossil, a four-tusk herbivore distantly related to mammoths and mastodons, was found in the jurisdiction of the Safford field office in Arizona (figure 39). Its 1,000-pound skull was recovered this spring and reunited with its previously

recovered skeleton at the Mesa Southwest Museum.

BLM New Mexico's longstanding partner, the New Mexico Museum of Natural History and Science, recovered one of the oldest archaic primate fossils in the San Juan Basin. The museum also found a unique primitive ancestor of placental mammals that will shed new light on their origins and a Paleocene-age bird skeleton, one of the oldest from western North America and one of the few ever found worldwide.

The most complete skull and lower jaw bone of a 70 million-year-old, long-neck plesiosaur was recovered in Montana, and is one of the best North American specimens of its kind. Recovered by the Museum of the Rockies in Bozeman, it was computed tomography- (CT-) scanned to determine if it is a new species. Paleontological exploration continues in the Bearpaw Formation where it was found, a Late Cretaceous seaway that was home to the plesiosaur and many other marine species.

In June, the skull of what is almost certainly the largest fossil crocodile ever found in Utah was discovered in the 75 million-year-old Kaiparowits Formation of Grand Staircase-Escalante National Monument. This "super croc" probably exceeded 30 feet in length and rivals the largest crocodylians ever found in North America. None has previously been reported from Utah, making the monument find unique.

One of the most unique paleontological localities on BLM lands is the Liscomb Bonebed along the Colville River on Alaska's North Slope. It has been excavated by the University of Alaska-Fairbanks for almost 20 years and has yielded some of the most intriguing dinosaur fossils. In 2007, paleontologists, with the help of placer miners, excavated an adit just above the bone layer into a 90-foot-high permafrost bank, which will allow for later large-scale, vertical excavation of the fossil bed *in situ*. Fossils found during construction of the adit were recovered for later study.

**Figure 39.** *Rhynchotherium* skull found near Safford, Arizona, is jacketed and prepared for removal.



## Factors Influencing Performance

There are many factors influencing heritage resource performance including:

- **Volume of Section 106 casework:** Section 106 of the National Historic Preservation Act (NHPA) of 1966 requires Federal agencies to take into account the effects of their undertakings on historic properties and afford the Advisory Council on Historic Preservation a reasonable opportunity to comment. Annually, BLM cultural specialists review more than 16,000 land use undertakings for their effect on listed or eligible National Register of Historic Place properties, and this reactive work constitutes the priority workload for specialists.
- **Access to partners and volunteers:** Partners and volunteers are a valued resource in carrying out the cultural and natural heritage program at the BLM. Not all BLM states and field offices have access to the same pool of volunteers and cooperators.
- **Size of public benefit project:** Whether stabilizing a one-room homestead or a multiroom pueblo, each project counts as one unit of accomplishment but involves substantially different amounts of time, money, and effort.
- **Logistics:** Accessing a heritage resource in one state, like Alaska, can involve considerably more time and effort (e.g., use of a helicopter).

## 2008 Performance Forecast

The cultural heritage program anticipates meeting its targets in 2008 for all strategic goals and BLM-specific performance measures. This is in large measure attributable to the fact that the cultural heritage program continues to rely heavily on challenge cost share arrangements and partners and “free” volunteers, including site stewards, to help it attain its annual goals.

## Resource Use

Improve resource management to ensure responsible use and sustain a dynamic economy

The BLM administers about 700 million acres of public subsurface mineral estate and plays a key role in facilitating both energy and nonenergy mineral development on the public lands—development that America needs to sustain its economic growth and enhance its national security. New and rising pressures on the public lands are in the form of urban–suburban sprawl, increased outdoor recreational activity, and rising demands for energy.

America’s public lands contain myriad resources that provide opportunities for commercial activities. Commercially valuable natural resources include energy and mineral commodities, forest products, grazing forage, and special uses such as rights-of-way for pipelines and transmission lines. Recognizing the nation’s need for a domestic source of minerals, food, timber, and fiber from the public lands, the BLM expends approximately 13 percent of its funding to carry out its resource use mission.

The BLM’s resource use programs seek to balance the use of renewable resources with nonrenewable resources. In addition, the BLM also manages a significant helium operations program. The BLM manages or influences resource use to enhance public benefit, promote responsible development, and ensure appropriate value in the following five categories:

- Fossil fuels energy—oil, gas, and coal
- Renewable energy—geothermal, wind, and solar (renewable energy is not discussed in detail in the “Management’s Discussion and Analysis” section because it is such a small program Bureauwide)
- Forage—grazing
- Forest products
- Nonenergy minerals



Figures 40 and 41 show costs and how funding was applied for resource use.

**Strategic Outcome Goals**

Manage or influence use to enhance public benefit, promote responsible development, and ensure appropriate value for:






- Fossil fuels energy—oil, gas, and coal
- Renewable energy—geothermal, wind, and solar
- Forage—grazing
- Forest products
- Nonenergy minerals

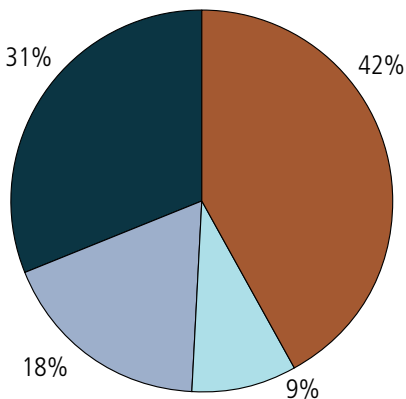
**Selected Performance Measures**

- Percent of fluid mineral leases with approved applications for permits to drill








- Percent of fluid minerals permit and lease applications processed (applications for permits to drill)
- Number of onshore Federal acres under lease for coal development
- Percent of grazing permits and leases processed as planned consistent with applicable resource management plans
- Percent of allowable sale quantity timber offered for sale consistent with applicable resource management plans
- Volume of wood products (million board feet) offered consistent with applicable management plans (public domain)
- Volume of wood products offered consistent with applicable management plans (Oregon and California grant lands)

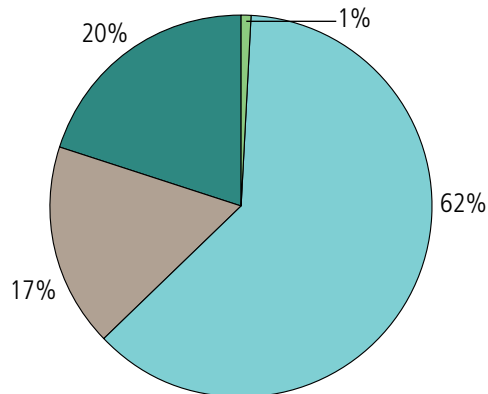
**Figure 40.** Resource Use: FY 2007 Costs by Strategic Outcome Goal

2007 Costs in Resource Use by Strategic Outcome			
Manage or influence resource use to enhance public benefit, promote responsible development, and ensure appropriate value			
Fossil Fuel	42%	\$111,737,919.56	
Renewables	—	\$ —	
Forage	9%	\$ 24,352,483.31	
Forest	18%	\$46,646,471.08	
Nonenergy Minerals	31%	\$82,428,899.58	
<b>Total</b>		<b>\$265,165,773.53</b>	



**Figure 41.** Resource Use: How Funding Was Applied

2007 Costs in Resource Use by Work Process			
Provide Outreach/Customer Service	—	\$ —	
Assess/Inventory Condition/Status	1%	\$ 2,966,569.22	
Perform Planning	—	\$ —	
Authorize Use	62%	\$164,436,304.62	
Implement BLM-Initiated Actions	17%	\$ 45,137,068.87	
Perform Monitoring	—	\$ —	
Manage Compliance	20%	\$ 52,625,830.83	
<b>Total</b>		<b>\$265,165,773.53</b>	



- Volume of wood products offered (biomass for energy) consistent with applicable management plans
- Percent of time the crude helium enrichment unit was operating during the fiscal year
- Number of onshore Federal acres under lease or contract for nonenergy mineral exploration and development

Manage or Influence Resource Use—  
Fossil Fuels Energy (Oil, Gas, and Coal)

Figure 42 shows how funding was applied for fossil fuels energy.

**Description**

As part of its multiple-use mission, the BLM manages a myriad of energy activities on the public lands, including the development of oil, gas, and coal. The Bureau also manages renewable energy resources, such as geothermal, wind, solar, and biomass. The BLM’s multiple-use management approach will not only protect the lands’ resources, but also will help America reduce its dependence on imported oil at a crucial time in U.S. history.

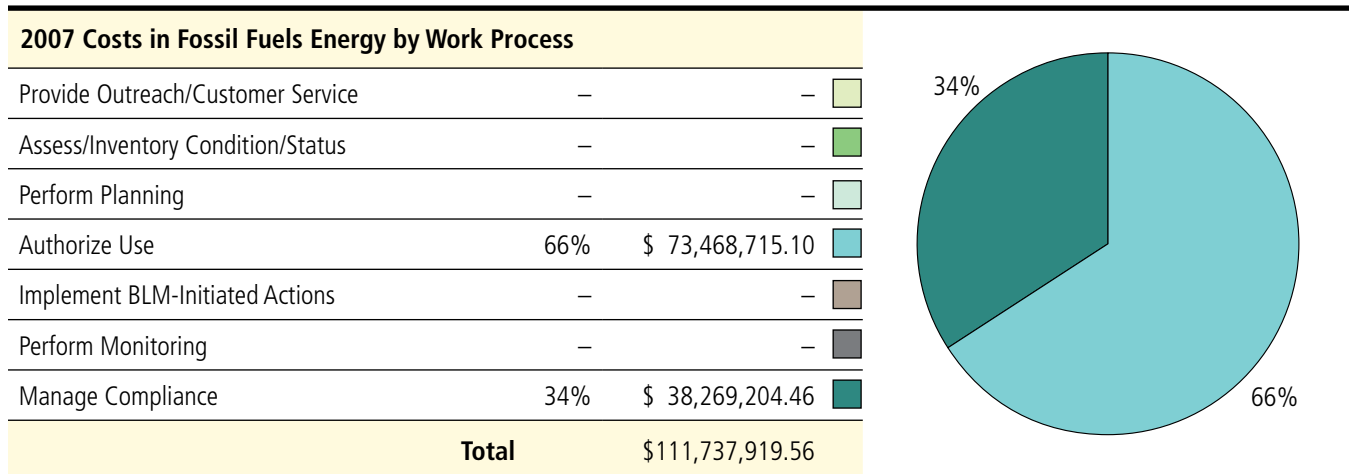
Other energy-related work that the BLM is carrying out is in connection with the Energy Policy Act of 2005. The BLM has a central role in implementing this law, which is built on President Bush’s National Energy Policy and is aimed at securing America’s

energy future by promoting dependable and affordable energy production. It is clear that the United States must make effective and prudent use of the energy resources on public lands. In fact, Federal lands and waters already account for 30 percent of domestic energy production.

In managing energy activities on public land, the BLM makes sure that these land uses are conducted in an environmentally sound manner. In the case of oil and gas development, less than 1 percent of the surface of the land managed by the BLM is disturbed by oil and gas activity. The land that is affected is reclaimed after use.

Over the last 14 fiscal years, there has been an increasing share of the nation’s coal production from Federal leases (29 percent in 1994, 46 percent in 2004, 41 percent in 2005, 37 percent in 2006, and 39 percent in 2007). Demand for coal is expected to increase over the next 25 years and much of the projected increases must come from Federal reserves in the western states. Management of the Federal coal reserves consists of evaluating the need for coal nationally and accepting, reviewing, and ensuring that use authorizations, such as exploration and mine licenses, coal leases, and right of ways, are issued in accordance with multiple use concepts and with adequate mitigation to protect the environment. Once a license or lease is issued, the BLM is required to ensure that the use provided is in accordance with the approved plan. Inspections are made to ensure compliance

**Figure 42.** How Funding Was Applied: Fossil Fuels Energy



with established conditions such as following the exploration or mining plan, regulations, or terms and conditions of the use authorization. Also, to protect the public's interest, the BLM independently verifies that production reported from Federal lands is accurate.

**Measuring Progress—2007 Results for Selected Measures**

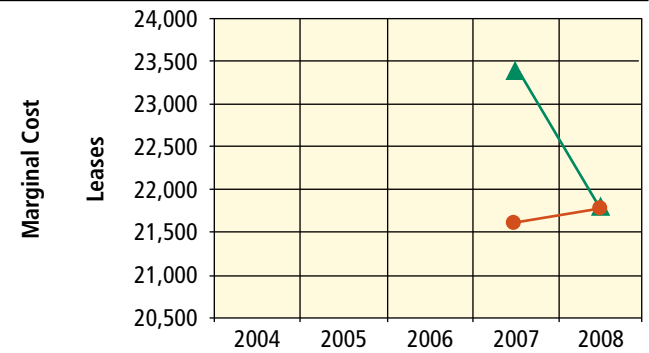
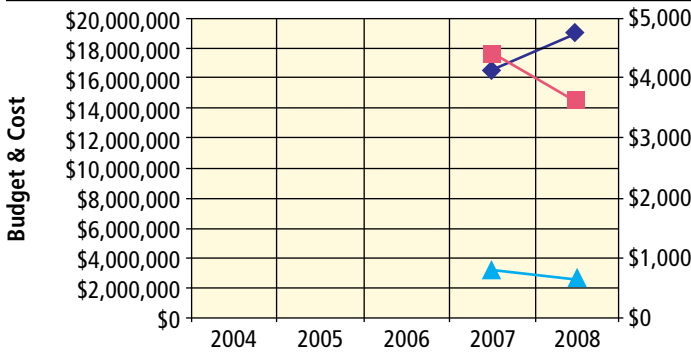
Figure 43 shows performance and funding analysis for performance measure 2.1.01.

**Figure 43.** Performance and Funding for Measure 2.1.01

**2.1.01** Percent of fluid mineral leases with approved applications for permits to drill. (SP)

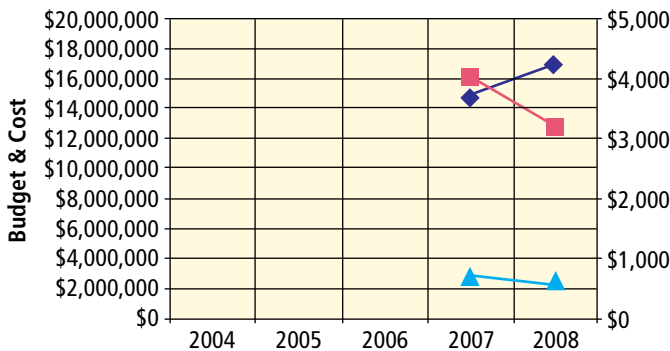
Budget and cost stated in absolute dollars

<b>A</b>	2004	2005	2006	2007	2008 Projected	Trend Type & R-Sq
<b>Budget Applied</b>				\$16,395,277	\$18,942,844	N/A
<b>Cost</b>				\$17,605,036	\$14,367,837	N/A
<b>Performance Target</b>				23,393	21,762	N/A
<b>Performance Actual</b>				21,612	21,762	N/A
<b>Performance Percent</b>				44	44	
<b>Marginal Cost</b>				\$815	\$660	N/A



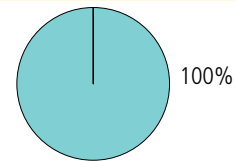
**B** ◆ Budget Applied    ▲ Performance Target  
 ■ Cost    ● Performance Actual  
 ▲ Marginal Cost

**Budget and Cost Stated in Constant Dollars (2004 as base year)**



**C** ◆ Budget Applied    ▲ Performance Target  
 ■ Cost    ● Performance Actual  
 ▲ Marginal Cost

**How Funding Was Applied: Performance Measure 1.3.02**



2007 Spending in PM 1.3.02	
Provide Outreach/Customer Service	\$0
Assess/Inventory Condition/Status	\$0
Perform Planning	\$0
Authorize Use	100% \$17,605,036
Implement BLM-Initiated Actions	\$0
Perform Monitoring	\$0
Manage Compliance	\$0
<b>Total</b>	<b>\$17,605,036</b>



The baseline quantity for performance measure 2.1.01 is 49,731 oil and gas leases in effect. Therefore, the actual percent is the “performance actual” of 21,612 producible oil and gas leases divided by 49,731 oil and gas leases in effect, which yields 44 percent. This is a new performance measure, so there is no cost or performance data for prior years.

The performance target for performance measure 2.1.01 was not met for 2007, as it was an estimate to establish a baseline. All of the funding applied to this measure was used to authorize use.

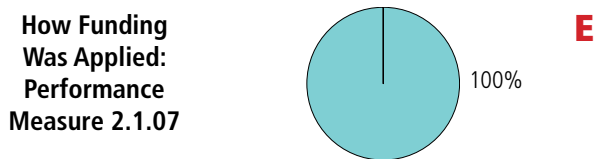
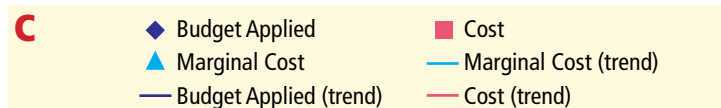
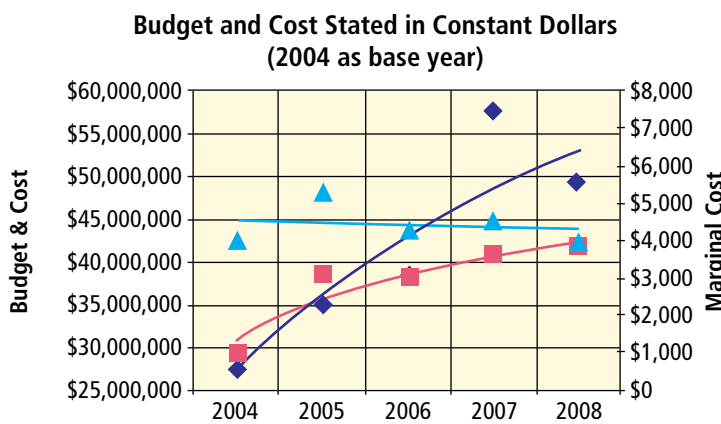
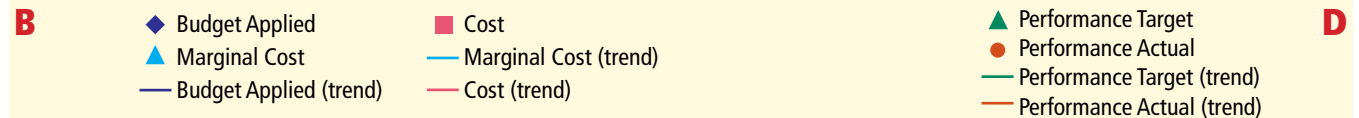
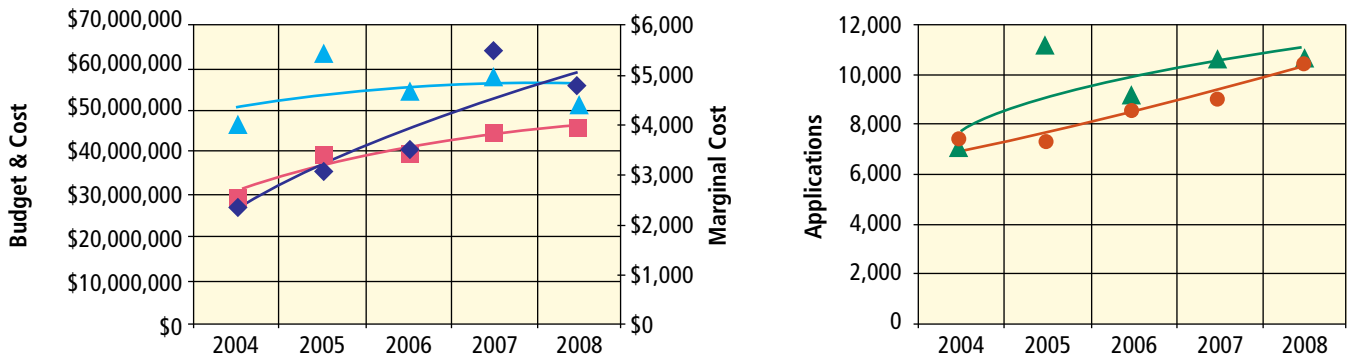
Figure 44 shows performance and funding analysis for performance measure 2.1.07.

**Figure 44.** Performance and Funding for Measure 2.1.07

**2.1.07** Percent of fluid minerals permit and lease applications processed. (SP/PART)

Budget and cost stated in absolute dollars

<b>A</b>	2004	2005	2006	2007	2008 Projected	Trend Type & R-Sq
<b>Budget Applied</b>	\$27,595,739	\$36,015,150	\$41,206,489	\$63,026,516	\$55,068,863	Power 0.8855
<b>Cost</b>	\$29,295,306	\$39,601,102	\$40,612,263	\$44,611,378	\$46,447,919	Log. 0.9614
<b>Performance Target</b>	7,049	11,196	9,175	10,555	10,555	Power 0.5490
<b>Performance Actual</b>	7,351	7,317	8,776	8,964	10,555	Exp. 0.9106
<b>Performance Percent</b>	105	63	62	107	95	
<b>Marginal Cost</b>	\$3,985	\$5,412	\$4,628	\$4,977	\$4,401	Power 0.1138



2007 Spending in PM 2.1.07		
Provide Outreach/Customer Service		\$0
Assess/Inventory Condition/Status		\$0
Perform Planning		\$0
Authorize Use	100%	\$44,611,378
Implement BLM-Initiated Actions		\$0
Perform Monitoring		\$0
Manage Compliance		\$0
<b>Total</b>		<b>\$44,611,378</b>

The BLM planned to process 95 percent of the APDs received in 2007. There were 8,370 applications received and 8,964 applications processed, which yields 107 percent. The performance targets for performance measure 2.1.07 have steadily increased from 2004 through 2007 and are projected to increase in 2008, as shown in figure 44, chart D. Actual performance achieved has steadily increased as well, and the BLM met its performance target for FY 2007.

There has been an increase in both budgetary resources applied and total cost for this measure when stated in absolute dollars. The marginal cost per APD also increased when stated in absolute dollars. Figure 44, chart C, also shows an increase in budget and cost when those factors are stated in constant dollars, i.e., when absolute dollars are adjusted for inflation. However, there is a slight decrease in marginal cost when it is stated in constant dollars. All of the funding applied to this measure was used to authorize use.

At the beginning of 2007, there were 2,310 APDs pending. A pending APD is defined as a complete application that takes greater than 35 days to approve. In addition, there were 3,689 APDs substantially processed, but the BLM was awaiting some piece of information or documentation from the operator. The BLM actually received 8,370 applications during 2007. Therefore, the number of APDs available for processing in 2007 was 14,369. We actually processed 8,964, a 1 percent increase from FY 2006.

Figure 45 shows performance and funding analysis for performance measure 2.1.02.

Performance measure 2.1.02 is not measured as a percent and, therefore, it has no baseline.

This is a new performance measure, so there is no cost or performance data for prior years. The performance target for performance measure 2.1.02 was slightly exceeded in 2007 by less than 1 percent. All of the funding applied to this measure was used for authorizing use.

For FY 2007, the BLM modified the measure of onshore Federal acres under lease for coal development to represent the “footprint” of total acres available annually to produce Federal coal reserves. This footprint is affected when the BLM processes new coal leases, modifies leases (adding acres), or relinquishes acres in a lease (partial or total lease relinquishment), or when leases expire or are terminated by law. Many of these conditions are controlled by industry and market prices for coal. The BLM controls the processing of existing lease applications and lease modifications. Lease relinquishments are due to the lessee having mined the coal to its maximum economic limit. Expiration is due to the lease term ending and the applicant failing to request an extension. Termination occurs when the lessee fails to mine commercial quantities of the reserves from the lease during the first 10-year period of the lease.

BLM has exceeded its goal of 464,500 acres under lease for coal development in FY

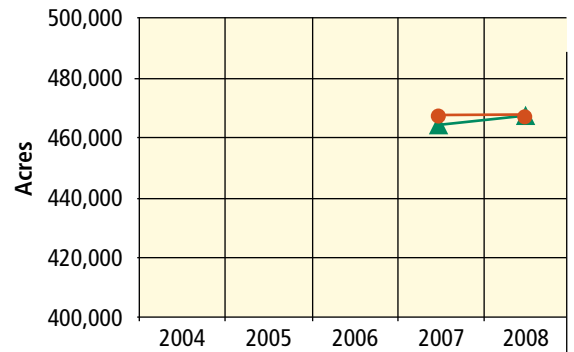
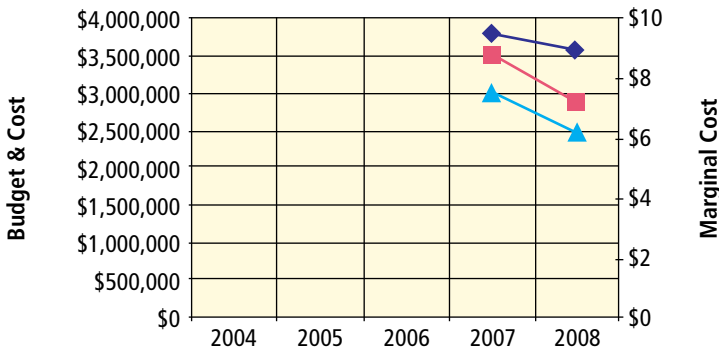


**Figure 45.** Performance and Funding for Measure 2.1.02

**2.1.02** Number of onshore federal acres under lease for coal development. (SP)

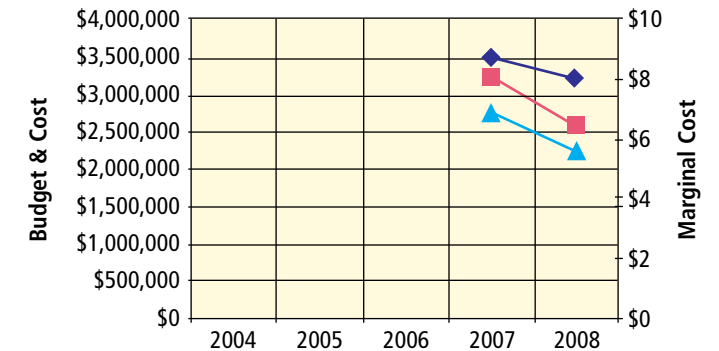
Budget and cost stated in absolute dollars

<b>A</b>	2004	2005	2006	2007	2008 Projected	Trend Type & R-Sq
<b>Budget Applied</b>				\$3,783,038	\$3,582,214	N/A
<b>Cost</b>				\$3,522,116	\$2,901,627	N/A
<b>Performance Target</b>				464,500	467,234	N/A
<b>Performance Actual</b>				466,943	467,234	N/A
<b>Marginal Cost</b>				\$7.54	\$6.21	N/A



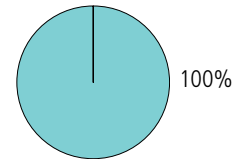
**B**      ◆ Budget Applied      ▲ Performance Target  
 ■ Cost      ● Performance Actual  
 ▲ Marginal Cost

**Budget and Cost Stated in Constant Dollars (2004 as base year)**



**C**      ◆ Budget Applied  
 ■ Cost  
 ▲ Marginal Cost

**How Funding Was Applied: Performance Measure 2.1.02**



2007 Spending in PM 2.1.07	
Provide Outreach/Customer Service	\$0
Assess/Inventory Condition/Status	\$0
Perform Planning	\$0
Authorize Use	100% \$3,522,116
Implement BLM-Initiated Actions	\$0
Perform Monitoring	\$0
Manage Compliance	\$0
<b>Total</b>	<b>\$3,522,116</b>



2007. Although variable, the acreage under lease has been leveling off and that trend is expected to continue until we have coal lease sales with acreage surpassing the average for the past several years (figure 46).

**Factors Influencing Performance**

For oil and gas, the number of APDs received in FY 2007 was less than projected because of two factors: (1) the wellhead price of natural gas was less than last year, and (2) there are numerous full field development environmental reviews in progress which, when completed, will allow for the drilling of many gas wells in Colorado, Montana, Utah, and Wyoming. We expect many new APDs to be submitted when these environmental review documents are completed. Also, the offices that were set up for the pilot project to improve Federal permit coordination are

not yet fully staffed, and these offices receive approximately 70 percent of the total number of APDs received Bureauwide.

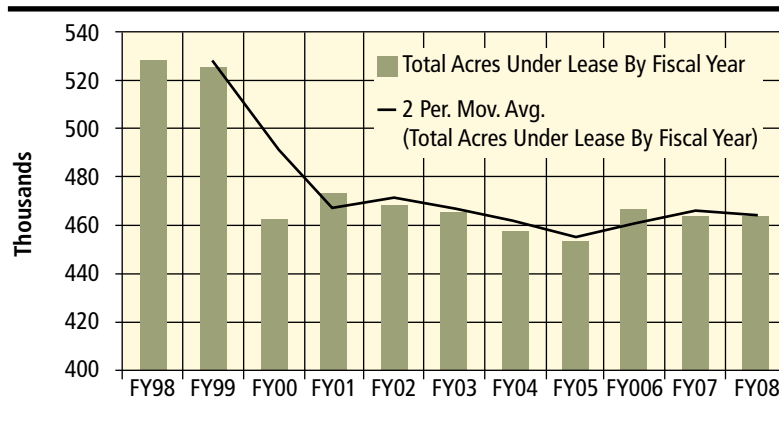
**2008 Performance Forecast**

For FY 2008, the BLM will be able to process more pending APDs, assuming that some of the environmental reviews in progress will be completed in FY 2008. We also estimate that we will complete approximately 85 percent of required fluid mineral compliance inspections, and process close to 2,000 reservoir management agreements. The BLM estimates that more than 450,000 acres will be under lease for coal in FY 2008.

**Manage or Influence Resource Use—  
Forage (Grazing)**

Figure 47 shows how funding was applied for forage.

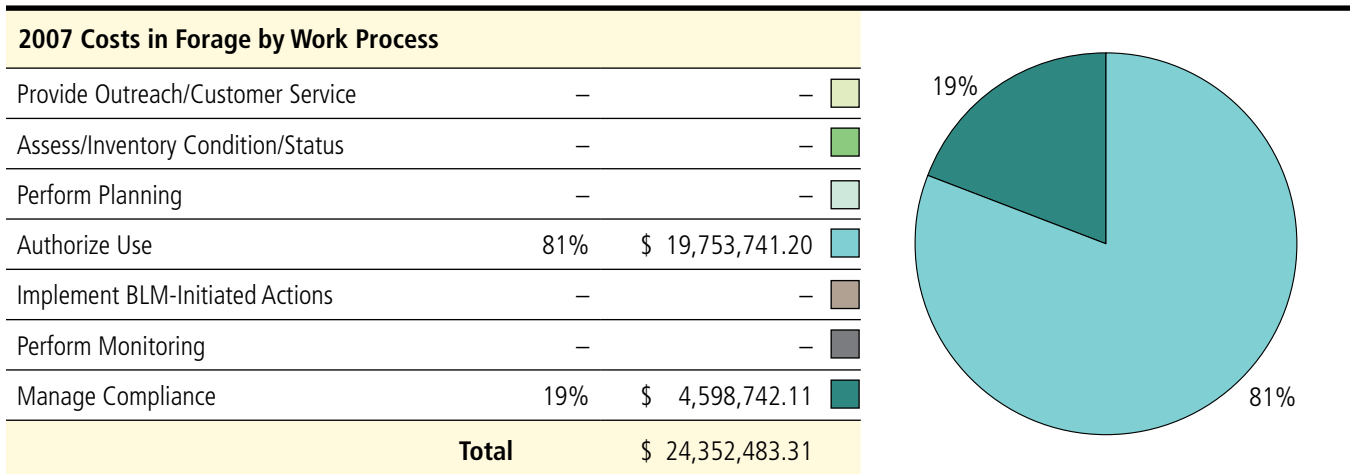
**Figure 46.** Acres Under Lease for Coal Development



**Description**

Vegetation resources are one of the major and basic ecosystem components managed by the BLM. Vegetation stabilizes soils and streambanks and provides shelter and habitat for wildlife, forage for wildlife and domestic animals, and medicines and fibers for traditional uses. The series of laws that provide for and direct livestock grazing on public land includes both stabilizing the local livestock industry and improving resource

**Figure 47.** How Funding Was Applied: Forage



conditions as objectives. To comply with these laws, the Bureau works with permittees, local governments, and other interested parties to manage livestock grazing at sustainable levels, while providing a source of forage that grazing permittees can depend on to support their overall ranching operations. Through the land use planning process, the BLM allocates forage for wildlife, wild horses and burros, and livestock. Allocations account for the need to maintain or improve native plant communities and avoid unacceptable soil erosion.

The BLM authorizes livestock grazing by issuing grazing permits and leases, which establish the seasons of forage use and number and kind of livestock (figure 48). About 18,000 permits are issued for grazing on nearly 22,000 allotments (158 million acres) on BLM-managed public land in the West. Livestock use has decreased from about 22 million animal unit months (AUMs) in 1941 to 13 million AUMs authorized in FY 2007. However, because of drought, fire, or other management activities, only about 7 million AUMs of forage were actually used by livestock during 2007. The number of grazing permits and AUMs authorized indicate the amount of livestock grazing on public land, but to fully evaluate the grazing program, information on resource conditions is also needed.

The nearly unregulated use by livestock prior to the passage of the Taylor Grazing Act in 1934 significantly impacted many plant communities, streams, and springs. In response to the Taylor Grazing Act, early management efforts included surveys of the forage available, and most areas experienced reductions in livestock grazing over the next 30 years to balance forage demand with the land's productive capacity. Numerous projects, including fences and water developments, were also constructed during this period to provide the basic infrastructure necessary to control grazing use. Because most of the public lands administered by the BLM are arid, these plant communities change slowly and many of these areas continue to show the effects of the historic grazing use.

The initial efforts to manage grazing use on public land were designed to reduce excessive erosion and maintain or improve the overall productivity of the land. These efforts provided overall watershed improvement, including benefits for specific resources such as wildlife habitat, but they were often designed to increase or improve livestock forage. Although the early efforts to control grazing use and arrest the resource degradation that led to the Taylor Grazing Act were appropriate and effective based on the nation's needs and expectations early in

**Figure 48.** Cattle graze on healthy BLM rangelands.



the 20th century, the public's appreciation for and expectations from public lands rapidly changed beginning in the 1960s and 1970s. During this time, many new issues were identified, and public land management changed to address these issues. Cultural resources, riparian areas, threatened or endangered species, and sensitive plant species are all examples of resources that received increased emphasis in grazing management during the last 25 years. As issues related to these resources were identified, grazing permit terms and conditions were developed or modified to address these resource concerns.

With improvement in grazing management in general, public lands have exhibited steady but gradual improvement since the mid-1930s. In 2006, ecological site inventory results showed that of the 83 million acres surveyed, 8 percent of the lands were in potential natural community or climax stage, 35 percent were in late seral, 41 percent were in mid seral, and 16 percent were in early-seral condition. Since 1936, the area in potential natural community and late seral or comparable condition has more than doubled, from 16 percent to 43 percent, and the area classified as early seral stage or comparable condition has been halved, from 36 percent to 16 percent. With the emphasis in riparian area management since at least the 1980s, many riparian areas throughout the West are also showing improvement. In 1996, 30 percent of the stream miles on BLM managed public land in the lower 48 states that had been evaluated were considered to be in "proper functioning condition," or were "functional at risk" with an upward trend. In 2006, 57 percent of the riparian areas that had been evaluated were in those same categories.

In 1995, the Bureau instituted a set of fundamentals of rangeland health and land health standards that describes the minimum condition required to function at a sustainable level. The BLM has been evaluating the rangeland under its administration and modifying grazing permits where it determined that these standards are not met because of current livestock grazing management. Since 1999,

the Bureau has found that about 79 percent of the allotments analyzed are meeting these standards. The BLM uses this analysis when issuing new permits to ensure that the grazing authorized will either maintain standards or make progress toward achieving the standards where they are not met.

### ***Measuring Progress— 2007 Results for Selected Measures***

Figure 49 shows performance and funding analysis for performance measure 2.3.01.

The baseline quantity for performance measure 2.3.01 is 2,600 permits. Therefore, the actual percent is the "performance actual" of 2,058 permits divided by 2,600 permits, which yields 79 percent. This is a new performance measure, so there is no cost or performance data for prior years. The performance target for performance measure 2.3.01 was not met for 2007 as it was an estimate to establish a baseline. Of the funding applied to this measure, 81 percent was used to authorize use and the remaining 19 percent was used to manage compliance.

The need to stabilize the livestock industry, which is dependent upon the public range, continues to be a viable and worthwhile objective for public land management. As urban population centers in the West increase and private lands are developed for housing, maintaining ranches that can promote the rural character and open space to provide native plant communities, habitat for wildlife, and clean water becomes increasingly important. Not only is maintenance of a viable livestock industry important for reducing fragmentation of rangeland ecosystems and maintaining open space, grazing can also be used as a tool to influence plant community composition and achieve resource objectives. "Prescribed grazing" and "targeted grazing" are terms that describe how livestock grazing can be used to specifically provide or maintain desired plant communities. Using livestock grazing to reduce fine fuels and therefore wildfire potential, to reduce the reproduction and spread of invasive plant species, or to improve specific habitat

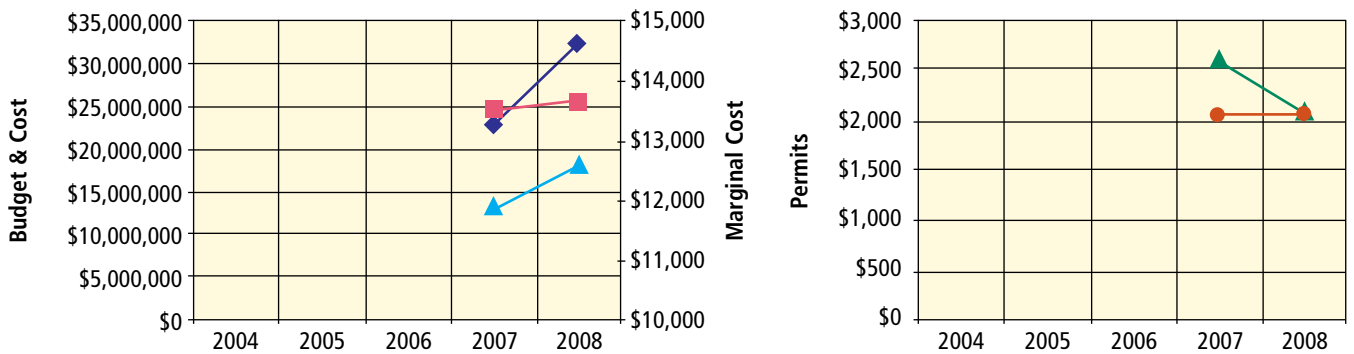


**Figure 49.** Performance and Funding for Measure 2.3.01

**2.3.01** Percent of grazing permits and leases processed as planned consistent with applicable resource management plans. (SP)

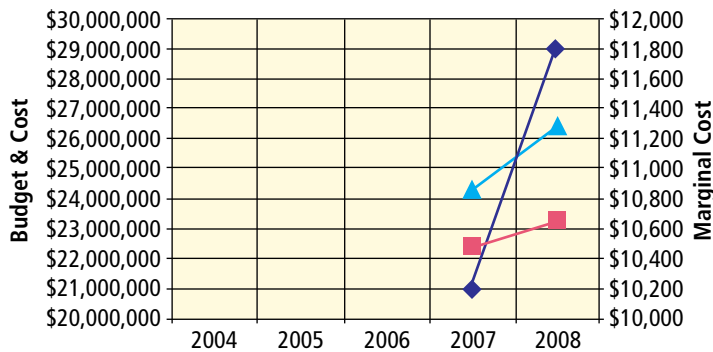
Budget and cost stated in absolute dollars

<b>A</b>	2004	2005	2006	2007	2008 Projected	Trend Type & R-Sq
<b>Budget Applied</b>				\$22,843,661	\$32,318,276	N/A
<b>Cost</b>				\$24,352,483	\$25,894,497	N/A
<b>Performance Target</b>				2,600	2,058	N/A
<b>Performance Actual</b>				2,058	2,058	N/A
<b>Performance Percent</b>				79	79	
<b>Marginal Cost</b>				\$11,833	\$12,582	N/A



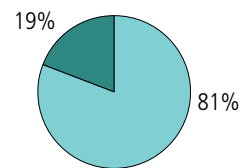
**B** Budget Applied (blue diamond), Cost (red square), Marginal Cost (cyan triangle) | **D** Performance Target (green triangle), Performance Actual (orange circle)

**Budget and Cost Stated in Constant Dollars (2004 as base year)**



**C** Budget Applied (blue diamond), Cost (red square), Marginal Cost (cyan triangle)

**How Funding Was Applied: Performance Measure 2.3.01**



<b>2007 Spending in PM 2.3.01</b>		
Provide Outreach/Customer Service		\$0
Assess/Inventory Condition/Status		\$0
Perform Planning		\$0
Authorize Use	81%	\$19,753,741
Implement BLM-Initiated Actions		\$0
Perform Monitoring		\$0
Manage Compliance	19%	\$4,598,742
<b>Total</b>		<b>\$24,352,483</b>

characteristics or forage quality that supports specific wildlife species, are examples of how livestock can be used to influence plant communities and meet overall land use objectives.

In 2007, the BLM processed and issued approximately 2,058 grazing permits and leases that support livestock grazing on public land. If the land health standards have not been met and current livestock grazing is

a significant factor in not meeting those standards, appropriate changes in grazing management that will address the problems that resulted in not meeting those standards are required. Often this involves changes in the grazing permit terms and conditions such as changes in the number or kind of livestock or changes in the season of use. In some cases, the changes in grazing management require additional range improvement projects or vegetation treatments to facilitate improvements that would allow the area to meet the land health standards. Whether or not the land health standards are being met, many of the grazing permits and leases incorporate new or revised terms and conditions in response to better information on conditions or identification of new issues, and these changes continue to further improve grazing management on public land. These actions allow the agency to maintain sustainable grazing use while addressing specific resource issues.

As grazing authorizations continue to be revised to address resource issues, the gradual improvement in conditions on public land remains the general trend. Improvements in wildlife habitat, primarily involving sage-grouse in Idaho's Shoshone Basin, and improvements in riparian conditions and waterfowl habitat in Colorado's North Park area as a result of changes in grazing management are just a couple of the recent examples of good stewardship and better grazing management on BLM-managed public lands. However, threats such as the expansion of both native and nonnative invasive species and increases in both the size and frequency of wildfires are causing significant resource impacts on public lands in many areas.

### **Factors Influencing Performance**

Over the past 10 years, the amount of time, effort, and cost devoted to issuing grazing permits has increased at a steady rate, and the requirements for issuing a grazing permit have also continued to steadily increase. Although we have been meeting our grazing permit issuance targets in recent years, many of these permits were

not fully processed (meaning that National Environmental Policy Act and Endangered Species Act requirements have not yet been completed), and the permits were issued in accordance with congressional direction that allowed the permits to be issued until the additional requirements could be completed at a later date. Although the grazing permit targets have been met, there is still a backlog of fully processed grazing permits. The extensive amount of litigation associated with issuing grazing permits is one of the primary factors that led to the backlog of fully processed grazing permits. The dramatic increases in litigation, along with increasing workloads associated with issuing grazing permits, have also greatly increased the cost and time required to issue a grazing permit, and there is no indication this trend will change in the foreseeable future.

### **2008 Performance Forecast**

We will continue to authorize grazing use on public lands. New or revised terms and conditions will continue to be applied to many of these grazing permits to address specific resource issues or improve grazing management in general. Although specific changes during FY 2008 cannot be predicted, we do expect recent trends such as the gradual improvement in rangeland conditions in most areas to continue. In response to specific resource issues, land health assessments in general, and specific land use plan decisions, we expect the gradual decline in the amount of grazing use authorized to continue as well.

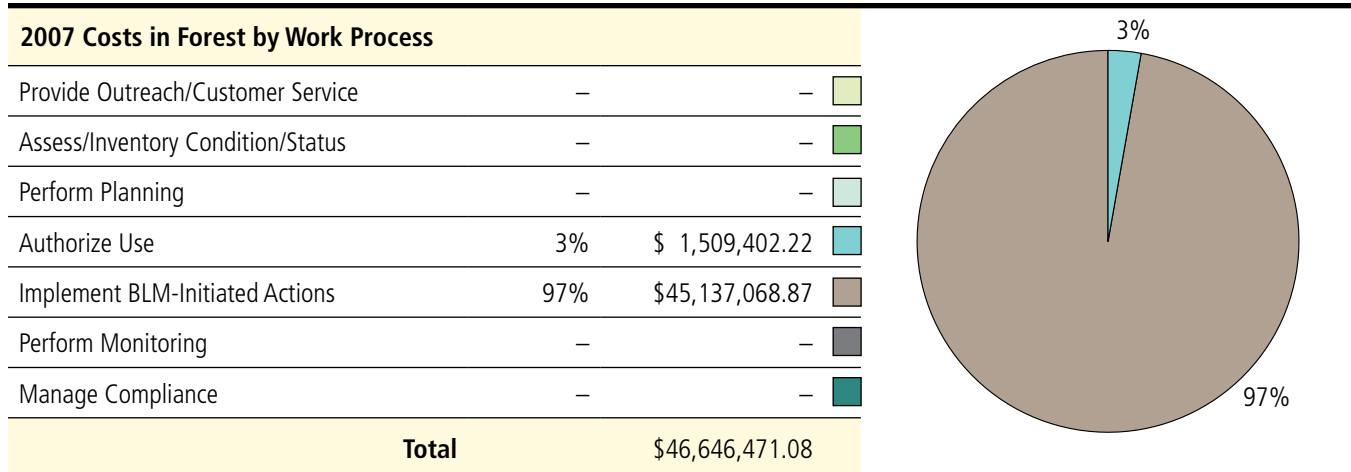
### **Manage or Influence Resource Use— Forest Products**

Figure 50 shows how funding was applied for forest products.

#### **Description**

The BLM manages 69 million acres of forests and woodlands, including 11 million acres of commercial forest and 58 million acres of woodlands within 11 western states and Alaska. Sixty-seven million acres are productive forests and woodlands on public

**Figure 50.** How Funding Was Applied: Forest Products



domain lands, and 2.4 million acres are on Oregon and California grant lands in western Oregon. The primary emphasis of BLM’s forests and woodlands program is offering a scientifically sound, environmentally responsible level of timber sales, as well as forest and woodland health restoration treatments and providing for personal and commercial use opportunities. The program actively supports activities that contribute to meeting the objectives of the Healthy Forests Initiative, Healthy Lands Initiative, and Healthy Forests Restoration Act.

The long-term goals of the public domain forest management program are to maintain and restore the health of BLM’s forests and woodlands, to provide forest products for economic opportunities, and to increase biomass utilization for energy production and other beneficial purposes (figure 51). Additionally, forest management activities contribute to the management of other BLM resources such as fish, plant, and wildlife habitat. Some of the most productive forests in the world are managed by the BLM in western Oregon. The objectives of the Oregon and California grant lands program are to manage for a sustained yield of forest products, contribute to the economic stability of local communities, and improve forest health. The 1994 Northwest Forest Plan and the six 1995 western Oregon RMPs provide management guidance for Federal forest lands in western Oregon. The BLM in western Oregon is in the process of revising the six RMPs.

**Figure 51.** The BLM maintains the health of forests and woodlands while still providing economic opportunities.



**Measuring Progress—  
2007 Results for Selected Measures**

Figure 52 shows performance and funding analysis for performance measure 2.3.03.

The baseline quantity for performance measure 2.3.03 is 203 million board feet. Therefore, the actual percent is the “performance actual” of 139 million board feet divided by 203 million board feet, which yields 68 percent. The performance targets for performance measure 2.3.03 have increased from 2004 through 2007 and are projected to increase in 2008, as

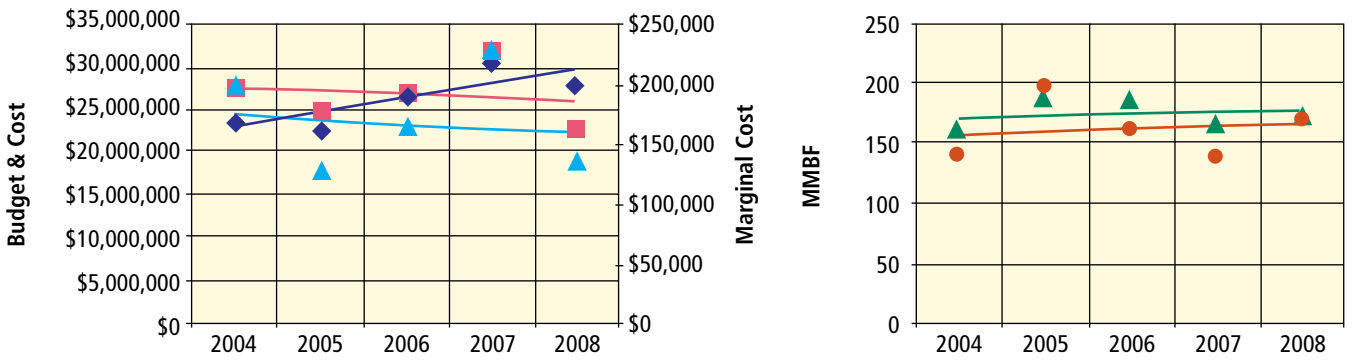


**Figure 52.** Performance and Funding for Measure 2.3.03

**2.3.03** Percent of allowable sale quantity timber offered for sale consistent with applicable resource management plans. (SP)

Budget and cost stated in absolute dollars

<b>A</b>	2004	2005	2006	2007	2008 Projected	Trend Type & R-Sq
<b>Budget Applied</b>	\$23,876,373	\$22,698,930	\$27,190,719	\$30,547,100	\$28,128,823	Exp. 0.6609
<b>Cost</b>	\$27,906,311	\$25,033,019	\$26,945,719	\$31,975,747	\$23,067,388	Exp. 0.0309
<b>Performance Target</b>	160	185	185	166	172	Power 0.0747
<b>Performance Actual</b>	140	198	162	139	172	Power 0.0253
<b>Performance Percent</b>	69	98	80	68	85	
<b>Marginal Cost</b>	\$199,331	\$126,429	\$166,332	\$230,041	\$134,113	Power 0.0249

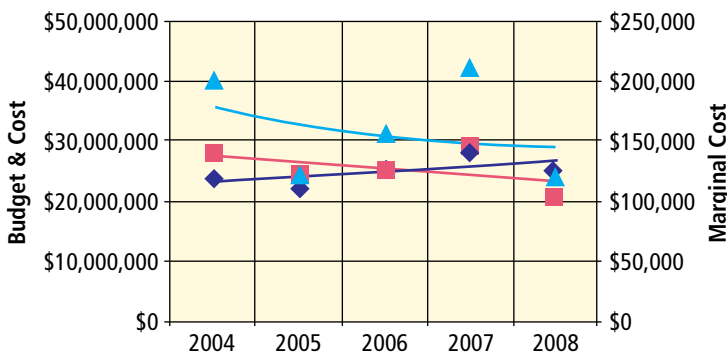


**B** ◆ Budget Applied ■ Cost ▲ Performance Target **D**

▲ Marginal Cost — Marginal Cost (trend) ● Performance Actual — Performance Target (trend)

— Budget Applied (trend) — Cost (trend) — Performance Actual (trend)

**Budget and Cost Stated in Constant Dollars (2004 as base year)**

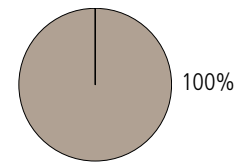


**C** ◆ Budget Applied ■ Cost ▲ Marginal Cost

▲ Marginal Cost — Marginal Cost (trend) ● Performance Actual

— Budget Applied (trend) — Cost (trend) — Performance Actual (trend)

**How Funding Was Applied: Performance Measure 2.3.03**



2007 Spending in PM 2.3.03		
Provide Outreach/Customer Service		\$0
Assess/Inventory Condition/Status		\$0
Perform Planning		\$0
Authorize Use		\$0
Implement BLM-Initiated Actions	100%	\$31,975,747
Perform Monitoring		\$0
Manage Compliance		\$0
<b>Total</b>		<b>\$31,975,747</b>

shown in figure 52, chart D. Although actual performance achieved has also steadily increased, the BLM did not meet its performance target for 2007 (refer to the “Factors Influencing Performance” section).

There has been an increase in budgetary resources applied to this performance

measure. However the total cost and marginal cost have declined when stated in absolute dollars. Figure 52, chart C, also shows an increase in budget applied and decreases in total cost and marginal cost when those factors are stated in constant dollars (i.e., when absolute dollars are

adjusted for inflation). All of the funding applied to this measure was used to implement BLM-initiated actions.

Figure 53 shows performance and funding analysis for performance measure 2.3.04.

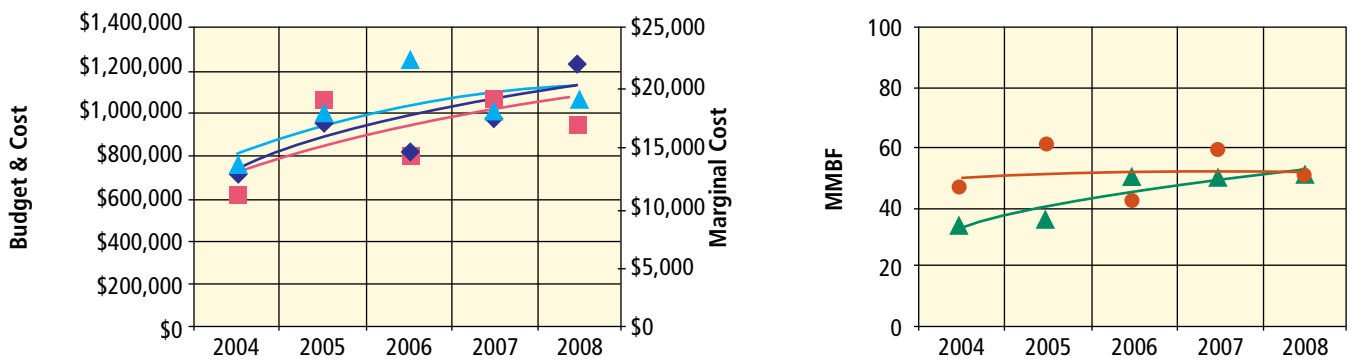
Performance measure 2.3.04 is not measured as a percent and, therefore, it has no baseline. The performance targets for performance measure 2.3.04 have steadily increased from 2004 through 2007 and are projected to increase in 2008, as

**Figure 53.** Performance and Funding for Measure 2.3.04

**2.3.04** Volume of wood products (million board feet) offered consistent with applicable management plans (public domain). (SP)

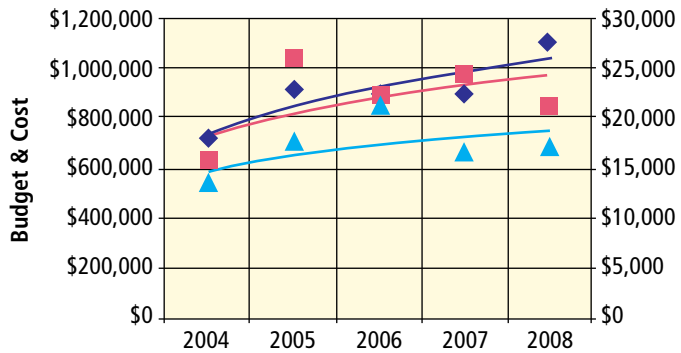
Budget and cost stated in absolute dollars

<b>A</b>	2004	2005	2006	2007	2008 Projected	Trend Type & R-Sq
<b>Budget Applied</b>	\$716,410	\$952,566	\$961,922	\$977,200	\$1,228,729	Power 0.8585
<b>Cost</b>	\$628,157	\$1,067,129	\$939,632	\$1,056,582	\$951,867	Power 0.5551
<b>Performance Target</b>	34	36	50	50	50	Power 0.8327
<b>Performance Actual</b>	47	59	42	59	50	Log. 0.0286
<b>Marginal Cost</b>	\$13,365	\$18,087	\$22,372	\$17,908	\$19,037	Power 0.5419



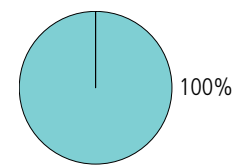
**B** Legend: Budget Applied (diamond), Marginal Cost (triangle), Budget Applied (trend) (blue line), Cost (square), Marginal Cost (trend) (red line), Cost (trend) (pink line). **D** Legend: Performance Target (triangle), Performance Actual (circle), Performance Target (trend) (green line), Performance Actual (trend) (orange line).

**Budget and Cost Stated in Constant Dollars (2004 as base year)**



**C** Legend: Budget Applied (diamond), Marginal Cost (triangle), Budget Applied (trend) (blue line), Cost (square), Marginal Cost (trend) (red line), Cost (trend) (pink line).

**How Funding Was Applied: Performance Measure 2.3.04**



<b>2007 Spending in PM 2.3.04</b>		
Provide Outreach/Customer Service		\$0
Assess/Inventory Condition/Status		\$0
Perform Planning		\$0
Authorize Use		\$1,056,582
Implement BLM-Initiated Actions	100%	\$0
Perform Monitoring		\$0
Manage Compliance		\$0
<b>Total</b>		<b>\$1,056,582</b>

shown in figure 53, chart D. The actual performance achieved has remained steady over this period, and the BLM exceeded its performance target for FY 2007 by 9 percent.

There has been an increase in budgetary resources applied to this measure as well as an increase in total cost when stated in absolute dollars. The marginal cost per million board feet has also increased. Figure 53, chart

C, shows an increase in budget, cost, and marginal cost when those factors are stated in constant dollars, i.e., when absolute dollars are adjusted for inflation. All of the funding applied to this measure was used to authorize use.

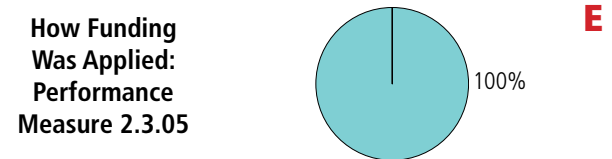
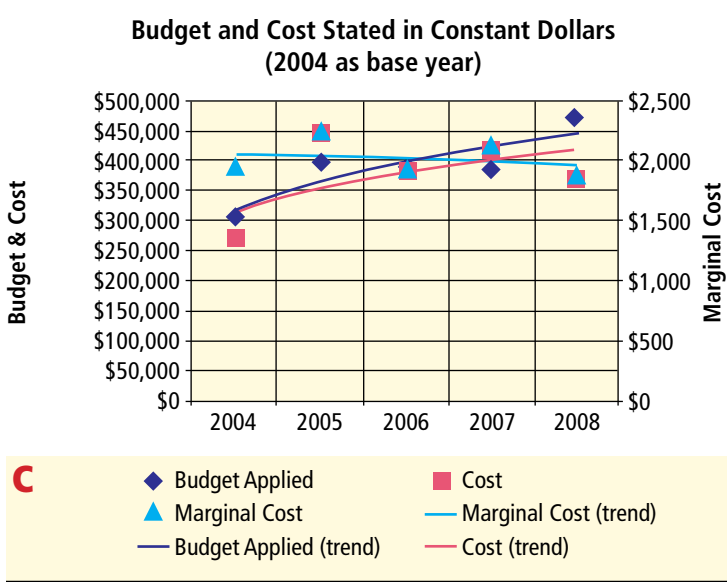
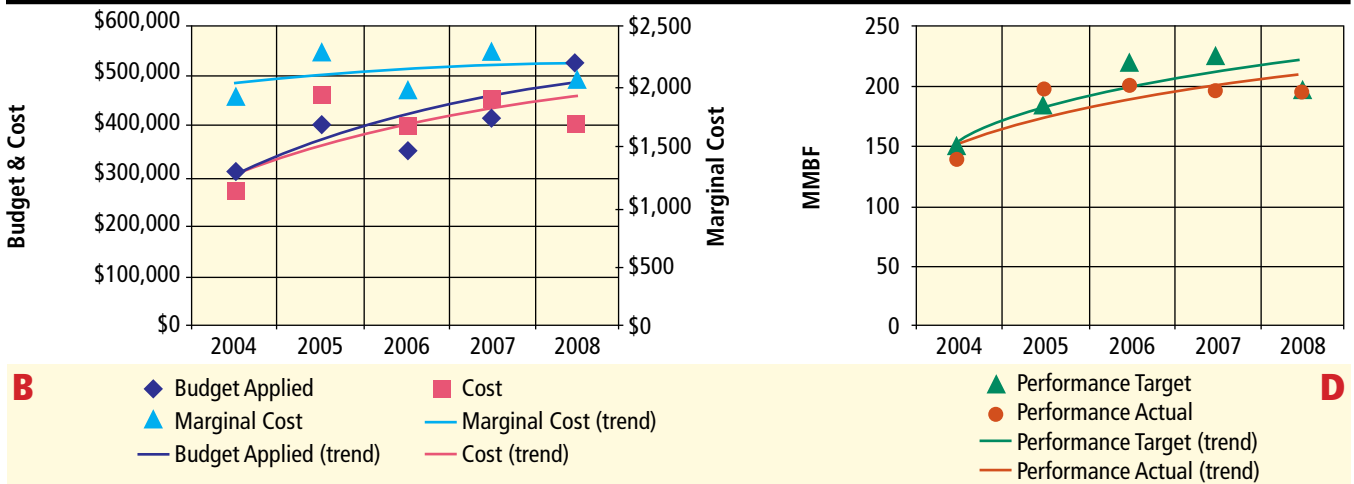
Figure 54 shows performance and funding analysis for performance measure 2.3.05.

**Figure 54.** Performance and Funding for Measure 2.3.05

**2.3.05** Volume of wood products offered consistent with applicable management plans (O&C). (SP)

Budget and cost stated in absolute dollars

<b>A</b>	2004	2005	2006	2007	2008 Projected	Trend Type & R-Sq
<b>Budget Applied</b>	\$307,033	\$408,242	\$412,252	\$418,800	\$526,598	Power 0.8585
<b>Cost</b>	\$269,210	\$457,341	\$402,699	\$452,821	\$407,943	Power 0.5551
<b>Performance Target</b>	150	185	220	226	196	Power 0.6997
<b>Performance Actual</b>	140	198	201	196	196	Power 0.6742
<b>Marginal Cost</b>	\$1,923	\$2,310	\$2,003	\$2,310	\$2,081	Power 0.1710



2007 Spending in PM 2.3.05		
Provide Outreach/Customer Service	\$0	
Assess/Inventory Condition/Status	\$0	
Perform Planning	\$0	
Authorize Use	100%	\$452,821
Implement BLM-Initiated Actions	\$0	
Perform Monitoring	\$0	
Manage Compliance	\$0	
<b>Total</b>		<b>\$452,821</b>



Performance measure 2.3.05 is not measured as a percent and, therefore, it has no baseline. The performance targets for performance measure 2.3.05 have steadily increased from 2004 through 2007 and are projected to increase in 2008, as shown in figure 54, chart D. Despite the performance increase, the BLM has substantially met its performance targets over this period, but did not meet its target for 2007. Performance fell short by 30 million board feet.

There has been an increase in budgetary resources applied to this measure as well as an increase in total cost when stated in absolute dollars. The marginal cost per million board feet has increased. Figure 54, chart C, shows an increase in budget applied and cost when those factors are stated in constant dollars, i.e., when absolute dollars are adjusted for inflation. However, marginal cost has declined slightly. All of the funding applied to this measure was used to authorize use.

By combining the performance accomplishments for performance measures 2.3.04 and 2.3.05 for FY 2007, a total of 255 million board feet of forest products, using timber sales, stewardship contracts, and special forest products permits, were offered for sale or trade to local industries, helping to provide forest products for public benefit, promote responsible use, and ensure optimal value. The majority, 196 million board feet, was offered on the Oregon and California grant lands, with the remaining 59 million board feet on public domain lands. This amount was short of the target of 276 million board feet (226 million board feet on Oregon and California grant lands and 50 million board feet on public domain lands).

Figure 55 shows performance and funding analysis for performance measure 2.3.07.

Performance measure 2.3.07 is not measured as a percent and, therefore, it has no baseline. This is a new performance measure, so there is no cost or performance data for prior years. The performance target for performance measure 2.3.07 was exceeded for 2007 by 40,752 tons of biomass or 68 percent. All of the funding applied to this measure was used to implement BLM-initiated actions.

A new and emerging program within the BLM is the promoting of biomass use in support of the Energy Policy Act 2005 and the National Fire Plan. As part of the Government's efforts to increase energy independence and reduce fire hazards and risks across the West, the BLM, in conjunction with the U.S. Forest Service and Department of the Interior, has embarked on a program to increase biomass use from forest health and fuels treatments. The program, still in its infancy, has steadily increased the volume of biomass made available for energy and other emerging markets. The BLM offered over 100,000 tons of biomass, using timber sales, stewardship contracts, and service contracts.

### **Factors Influencing Performance**

The BLM timber sale program, especially on the Oregon and California grant lands, continues to be impacted by numerous, ongoing cases of litigation against both the Bureau and the U.S. Forest Service relative to the adequacy of National Environmental Policy Act analysis. The program is also impacted by ongoing litigation against the U.S. Fish and Wildlife Service and National Marine Fisheries Service, which provide the consultation necessary for the BLM to meet requirements of the Endangered Species Act for the northern spotted owl and listed fish species. These impacts began in 1999 and take several forms, including increased unit costs due to additional survey requirements, sales needing to be redone, and delays in contract awards and operations.

The biomass program has experienced rapidly escalating biomass use figures while the markets are adjusting to the availability of biomass and new Presidential initiatives are implemented. This period of rapid escalation makes it difficult to establish a firm baseline as shown by the fluctuating yearly totals.

### **2008 Performance Forecast**

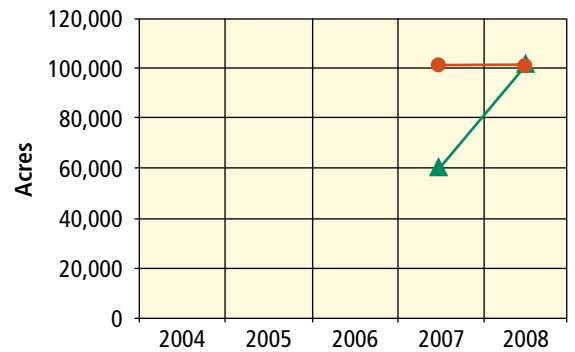
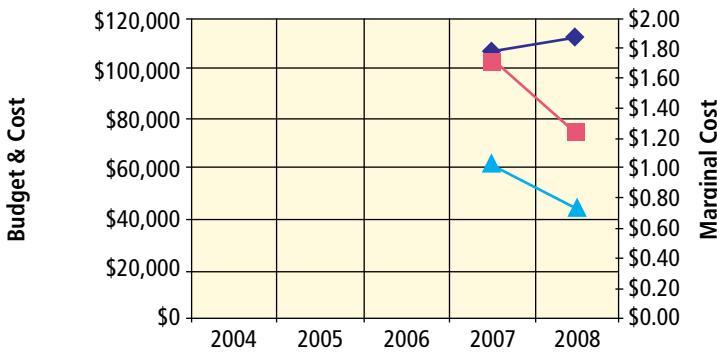
In FY 2008, a total of 246 million board feet of forest products, using timber sales, stewardship contracts, and special forest products permits, will be offered for sale or

**Figure 55.** Performance and Funding for Measure 2.3.07

**2.3.07** Volume of wood products offered (biomass for energy) consistent with applicable management plans. (Bur)

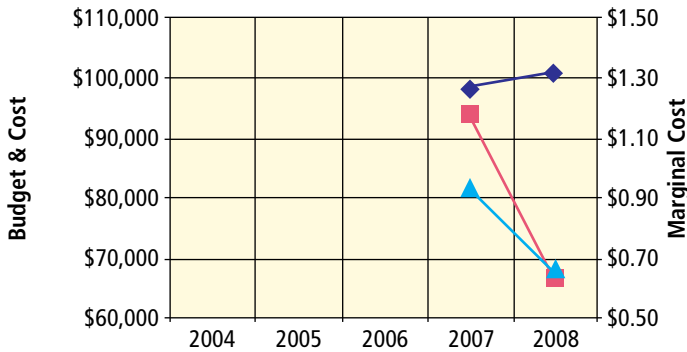
Budget and cost stated in absolute dollars

<b>A</b>	2004	2005	2006	2007	2008 Projected	Trend Type & R-Sq
<b>Budget Applied</b>				\$107,067	\$112,514	N/A
<b>Cost</b>				\$102,535	\$74,337	N/A
<b>Performance Target</b>				60,000	100,752	N/A
<b>Performance Actual</b>				100,752	100,752	N/A
<b>Marginal Cost</b>				\$1.02	\$0.74	N/A



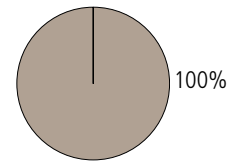
**B**      ◆ Budget Applied      ▲ Performance Target  
 ■ Cost      ● Performance Actual  
 ▲ Marginal Cost

**Budget and Cost Stated in Constant Dollars (2004 as base year)**



**C**      ◆ Budget Applied  
 ■ Cost  
 ▲ Marginal Cost

**How Funding Was Applied: Performance Measure 2.3.07**



2007 Spending in PM 2.3.07		
Provide Outreach/Customer Service		\$0
Assess/Inventory Condition/Status		\$0
Perform Planning		\$0
Authorize Use		\$0
Implement BLM-Initiated Actions	100%	\$102,535
Perform Monitoring		\$0
Manage Compliance		\$0
<b>Total</b>		<b>\$102,535</b>

trade to local industries. The majority, 196 million board feet, will be on the Oregon and California grant lands, with the remaining 50 million board feet on the public domain lands. The allowable sale quantity target is 85 percent (172 million board feet/203 million board feet). Additionally, the BLM will offer about 100,000 tons of biomass in FY 2008.

**Manage or Influence Resource Use—  
Nonenergy Minerals**

Figure 56 shows how funding was applied for nonenergy minerals.

**Description**

One of BLM’s nonenergy minerals programs involves the sale of helium. The 1996 Helium Privatization Act directs the Secretary of the Interior to commence offering for sale 30.5 billion standard cubic feet of the Federal helium reserve no later than January 1, 2005, and to complete offering it for sale no later than January 1, 2015. The act requires that the amount sold annually be determined by dividing the amount in storage as of the first sale by the number of years sales will be conducted and then adjusting the amount by expected Federal usage.

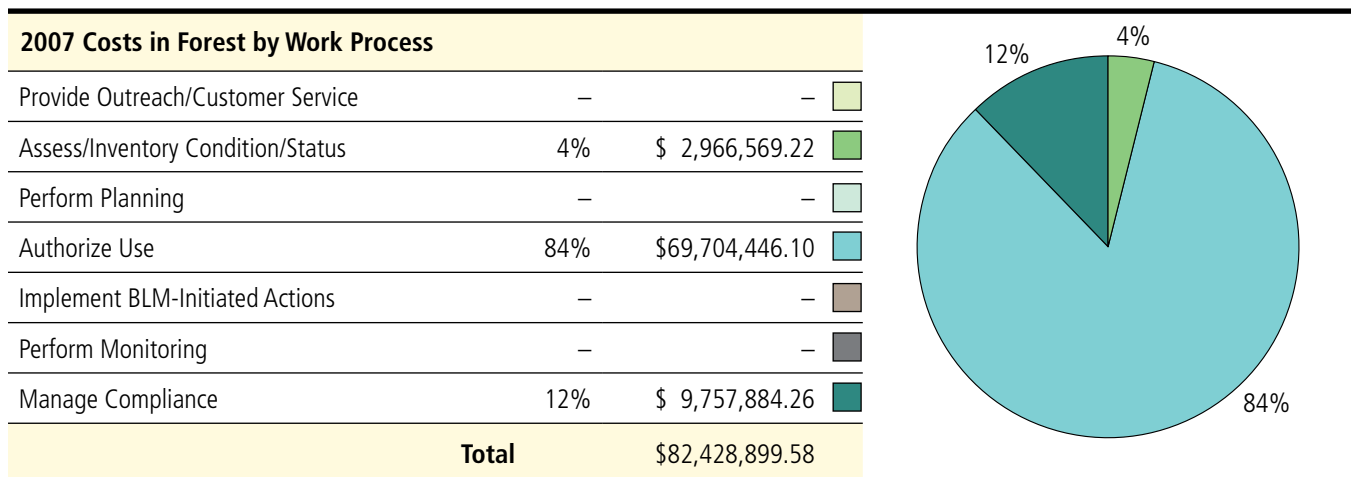
Using the act’s formula, about 2 billion standard cubic feet of helium are offered for sale annually. Ninety percent of that

amount is allocated to the refiners along the crude helium pipeline, while 10 percent is apportioned to other qualified buyers. If the refiners do not request the full amount of helium allocated to them, the excess can be sold to other qualified buyers; conversely, if other qualified buyers do not request the full amount allocated to them, the refiners can purchase the excess. Purchasers obtain a bid right for \$1,000 and specify to the BLM the amount of helium they would like to buy for the year. The total purchase is distributed and paid for in quarterly increments. The first open-market helium sale was conducted during March 2003.

The legislation also stipulates that all pure helium bought by Government agencies must derive from Government-owned crude helium. Since the BLM’s refining facilities have been dismantled in response to the Helium Privatization Act, suppliers of helium to Federal agencies are required to purchase an equivalent amount of helium from Federal storage. The BLM calls this type of helium sale an in-kind helium sale.

Studies have shown that because of the complexity of the helium storage field, the more than 30 billion standard cubic feet of helium in storage cannot be completely recovered at helium concentration levels required by contract with private industry companies. By 1999, the helium concentrations from the injection wells were already showing deterioration. A private industry partnership, in cooperation with

**Figure 56.** How Funding Was Applied: Nonenergy Minerals





the BLM, decided that a helium enrichment unit was needed at the Cliffside location near Amarillo, Texas, to process gas from the field to enrich it to pipeline quality crude helium. The helium enrichment unit was completed in 2003. As part of the enrichment process, hydrocarbon gases are extracted and sold.

The BLM also manages mineral materials and nonenergy solid leasable minerals. The mission for these programs is to ensure responsible use of the land and sustain a dynamic economy by providing access to essential minerals to meet increasing demands for housing, transportation infrastructure, energy and minerals exploration and development, and production of food and agricultural products for alternative energy.

Mineral materials include sand, gravel, stone, cinders, pumice, and clays that are used as building materials for construction of foundations, buildings, highways, access roads, drill pads, railroad beds, airports, bridges, pipelines, and other developments. The BLM sells these materials under contract for fair market value and provides free use of the materials to Government agencies. Nonenergy solid leasable minerals are basic components of many industrial products, such as fertilizers, feed additives, tires, batteries, glass, paper, oil well drilling fluids, water treatment materials, soaps, detergents, baked goods, medicines, and chemicals. The BLM issues leases for nonenergy minerals at royalty rates specified by Congress. The BLM also has trust responsibilities to assist Native Americans with their mineral leasing operations on trust lands.

Work in these programs includes resource evaluations, environmental reviews of applications, and issuance of contracts, permits, and leases for proposals for development of these resources. The BLM develops environmental mitigation and reclamation requirements to reduce impacts to the land. Inspection and production verification is essential to ensure that the public receives an appropriate return for the resources produced and that mining and reclamation are conducted in a manner that maintains the health of the land.

### **Measuring Progress— 2007 Results for Selected Measures**

Figure 57 shows performance and funding analysis for performance measure 2.3.18.

The baseline quantity for performance measure 2.3.18 is 340 days. Therefore, the actual percent is the “performance actual” of 330 days divided by 340 days, which yields 97 percent. The performance targets for performance measure 2.3.18 have steadily increased from 2004 through 2007 and are projected to increase in 2008, as shown in figure 57, chart D. Despite the performance increase, the BLM has substantially met its performance targets over this period, but fell slightly short of its target of 100 percent for 2007.

There has been an increase in both budgetary resources applied and cost for this measure when stated in absolute dollars. The marginal cost has also increased. Figure 57, chart C, also shows an increase in budget, cost, and marginal cost when those factors are stated in constant dollars, i.e., when absolute dollars are adjusted for inflation. These cost increases are due to additional environmental costs and unexpected plant maintenance. The BLM and the Texas Commission on Environmental Quality agreed on a voluntary cleanup program that returned the Landis and Amarillo plant properties in Texas to residential standards. The Landis property was deeded to the Girl Scouts in January 2006 and the Amarillo plant was sold in September 2007. Additional cleanup work is required at the Exell, Texas, plant, which may result in higher environmental cleanup costs than originally expected.

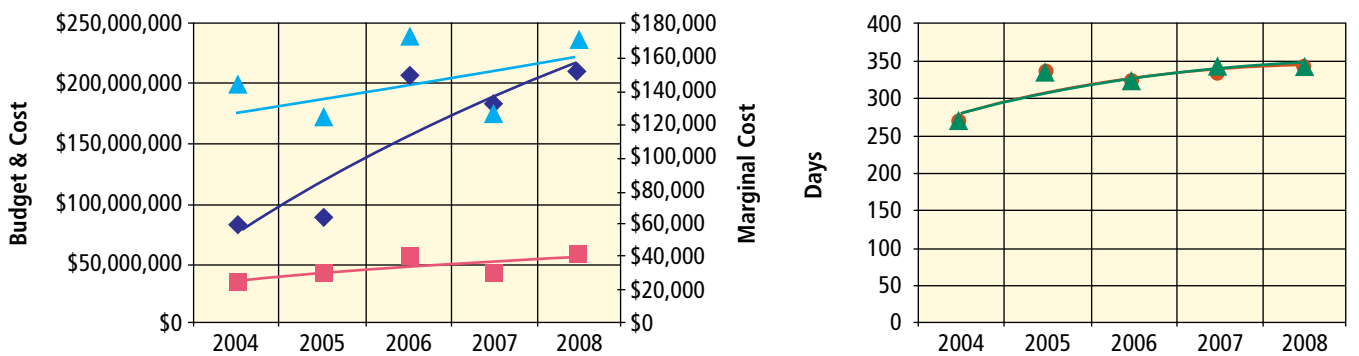
In FY 2007, the BLM received approximately \$159 million in total helium program revenue. These receipts consisted of \$4 million in storage and transmission fees, \$119 million in crude helium sales, \$21 million in natural gas and natural gas liquid sales, and \$7 million in fee sales of helium rights and royalties from Federal lands where helium is produced and sold. Repayment of the helium debt was \$150 million in FY 2007, bringing the cumulative debt down to

**Figure 57.** Performance and Funding for Measure 2.3.18

**2.3.18** Percent of time the crude helium enrichment unit (CHEU) was operating during the fiscal year. (Bur)

Budget and cost stated in absolute dollars

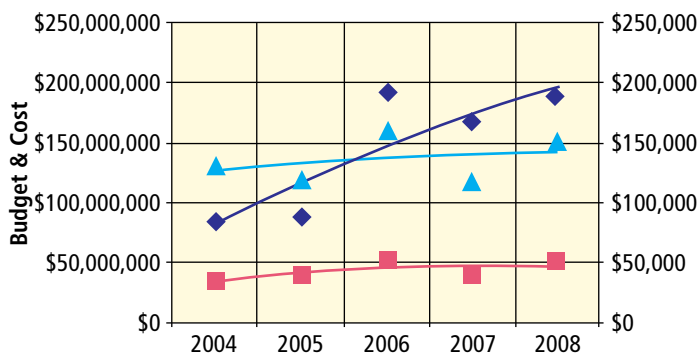
<b>A</b>	2004	2005	2006	2007	2008 Projected	Trend Type & R-Sq
<b>Budget Applied</b>	\$85,286,419	\$90,345,671	\$205,380,056	\$183,422,068	\$211,586,209	Power 0.7959
<b>Cost</b>	\$34,443,064	\$41,178,011	\$55,153,240	\$42,268,175	\$57,397,465	Power 0.6521
<b>Performance Target</b>	268	335	315	340	340	Power 0.7371
<b>Performance Actual</b>	268	335	322	330	340	Power 0.7276
<b>Performance Percent</b>	77	96	92	97	100	
<b>Marginal Cost</b>	\$128,519	\$122,919	\$171,283	\$128,085	\$168,816	Exp. 0.3233



**B** ◆ Budget Applied      ■ Cost  
 ▲ Marginal Cost      — Marginal Cost (trend)  
 — Budget Applied (trend)      — Cost (trend)

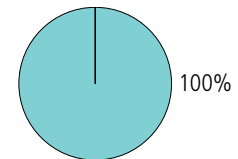
**D** ▲ Performance Target  
 ● Performance Actual  
 — Performance Target (trend)  
 — Performance Actual (trend)

**Budget and Cost Stated in Constant Dollars (2004 as base year)**



**C** ◆ Budget Applied      ■ Cost  
 ▲ Marginal Cost      — Marginal Cost (trend)  
 — Budget Applied (trend)      — Cost (trend)

**How Funding Was Applied: Performance Measure 2.3.18**



<b>2007 Spending in PM 2.3.18</b>		
Provide Outreach/Customer Service		\$0
Assess/Inventory Condition/Status		\$0
Perform Planning		\$0
Authorize Use	100%	\$42,268,175
Implement BLM-Initiated Actions		\$0
Perform Monitoring		\$0
Manage Compliance		\$0
<b>Total</b>		<b>\$42,268,175</b>

\$764.2 million (44.3 percent). The helium enrichment unit was operated 330 days during the year (97 percent), 1.9 billion standard cubic feet of crude helium were sold, and four audits were initiated during FY 2007.

At current operating rates, the helium enrichment unit processes approximately 9 million cubic feet per day of pipeline natural gas approximately 350 days per year. This translates into approximately 3.15 billion cubic feet per year. At \$6.70 per thousand cubic feet, the BLM receives \$21.1 million of gas and natural gas revenues. The cost of the transportation agreement associated with these sales is approximately \$500,000 per year, while the Minerals Management Service fees are about \$0.03 per thousand cubic feet (less than \$100,000 per year).

The BLM also adjudicates helium ownership rights, collects fees and royalties from Federal lands where the helium is produced and sold, and audits those revenues for compliance. Federal oil and gas leases contain a clause that excludes helium from the lease. Therefore the BLM enters into an agreement, separate from the oil and gas lease, for the sale of helium from Federal lands and collects those revenues under 50 U.S.C. 167. The BLM is also in charge of tracking where helium reserves are located throughout the nation, and to a lesser extent, the world, quantifying those reserves, and keeping up with the status of the reserves (depleting or nondepleting).

Figure 58 shows performance and funding analysis for performance measure 2.3.08.

Performance measure 2.3.08 is not measured as a percent and, therefore, it has no baseline. This is a new performance measure, so there is no cost or performance data for prior years. The performance goal for performance measure 2.3.08 was

reestablished by definition for 2007. The target established under the previous definition was not met in 2007. All of the funding applied to this measure was used to authorize use.

### ***Factors Influencing Performance***

Much of the mineral materials being developed through contracts is in the West. The population growth in the West is expected to continue and to provide the infrastructure for the West; the BLM anticipates its existing high demand for Federal mineral materials will continue to grow. The national population also continues to increase. To meet the needs for the population growth, fertilizers manufactured from Federal leasable minerals are needed to grow food and support agriculture while other leasable minerals are needed to drill more oil wells, provide paper products, and develop the necessary medicines and chemicals to support our standard of living.

### ***2008 Performance Forecast***

Demand for mineral materials for energy and minerals exploration and development and highway construction is expected to remain strong, but demand for urban development may decline due to reduced housing construction. Demand for nonenergy minerals used for agriculture and energy and minerals exploration is expected to be high. The number of mineral materials contracts and permits issued will be similar to FY 2007, but the total quantity of mineral materials produced is expected to decline. This decline in quantities will likely cause BLM's FY 2008 average processing cost per 1,000 cubic yards to increase compared to FY 2007. Demand for nonenergy leases and permits is projected to remain constant, as is the need for associated inspections.

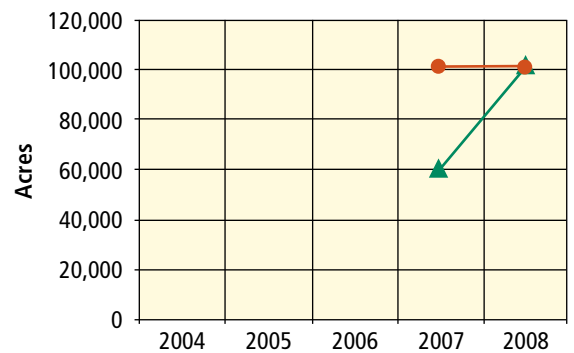
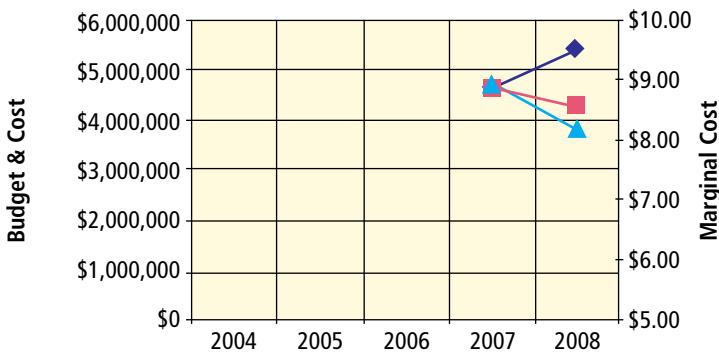


**Figure 58.** Performance and Funding for Measure 2.3.08

**2.3.08** Number of onshore federal acres under lease or contract for nonenergy mineral exploration and development (leaseable and saleable minerals). (SP)

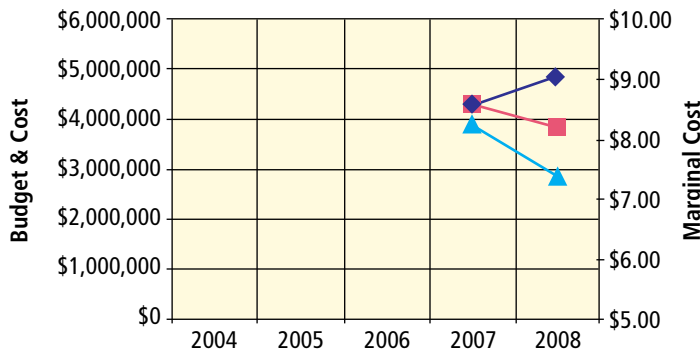
Budget and cost stated in absolute dollars

<b>A</b>	2004	2005	2006	2007	2008 Projected	Trend Type & R-Sq
<b>Budget Applied</b>				\$4,607,911	\$5,397,909	N/A
<b>Cost</b>				\$4,661,801	\$4,266,729	N/A
<b>Performance Target</b>				883,826	520,291	N/A
<b>Performance Actual</b>				520,291	520,291	N/A
<b>Marginal Cost</b>				\$8.96	\$8.20	N/A



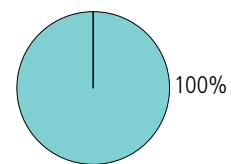
**B** ◆ Budget Applied ▲ Performance Target **D**  
■ Cost ● Performance Actual  
▲ Marginal Cost

**Budget and Cost Stated in Constant Dollars (2004 as base year)**



**C** ◆ Budget Applied  
■ Cost  
▲ Marginal Cost

**How Funding Was Applied: Performance Measure 2.3.08**



2007 Spending in PM 2.3.08	
Provide Outreach/Customer Service	\$0
Assess/Inventory Condition/Status	\$0
Perform Planning	\$0
Authorize Use	100% \$4,661,801
Implement BLM-Initiated Actions	\$0
Perform Monitoring	\$0
Manage Compliance	\$0
<b>Total</b>	<b>\$4,661,801</b>

## Recreation

### Improve recreation opportunities for America

Outdoor recreation is integral to a healthy lifestyle for millions of Americans as well as for international visitors. BLM-administered public land and water play an important role in providing these outdoor recreational experiences. The BLM is shifting management from specific recreation activities to an emphasis on physical, mental, and social benefits that an individual achieves through participating in recreation. Communities near BLM-managed land also derive important economical benefits from public land opportunities through recreation and tourism.

Managing recreation benefits contributes significantly to management of the National Landscape Conservation System (NLCS). The mission of the NLCS is to conserve, protect, and restore for present and future generations the nationally significant landscapes that have been recognized for their outstanding archaeological, geological, cultural, ecological, wilderness, recreation, and scientific values. This system consists of national conservation areas, national monuments, and other conservation areas; wilderness areas; national wild and scenic rivers; and portions of multiple national scenic and historic trails.

Over the last decade, the BLM has continued to expand and diversify its recreation program to meet the burgeoning public demand for outdoor recreation as dramatic population growth occurs throughout the West and as technological advances have created a wide array of recreation opportunities and benefits. The BLM hosted over 56 million visitors in 2007, a 10 percent increase from 50 million visitors in 1999. Over 4,000 communities (23 million persons) are located within 30 miles of public lands, and 40 percent of the public lands are within a day's drive of 16 major urban areas with a population of more than 40 million.

BLM lands provide sustainable recreation opportunities that furnish important

social and economic benefits to both local communities and the nation. Forming partnerships and cooperative ventures to sustain the unique character of recreation use in these truly American places is perhaps the best way to preserve the viability and character of many rural western communities while providing quality recreation experience and visitor enjoyment.

Figures 59 and 60 show the costs and how funding was applied for recreation.

### **Strategic Outcome Goals**

- Provide a quality recreation experience and visitor enjoyment

### **Selected Performance Measures**

- Percent of visitors satisfied with the quality of their experience

### Provide a Quality Recreation Experience and Visitor Enjoyment

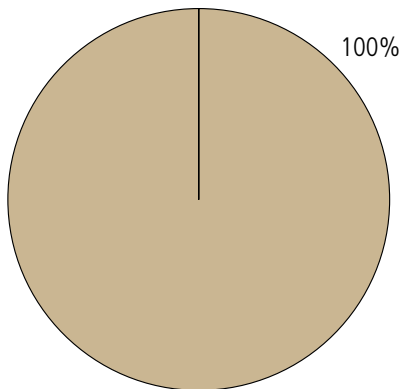
### **Description**

The recreation and visitor services program is a broad and complex program. In FY 2007, the significant workload associated with achieving our strategic outcome goals included:

- Recreation planning and visitor use monitoring
- Fees, permits, commercial and special uses, concessions management
- Trails and rivers, off-highway vehicle (OHV), and travel management
- Visual resource management, scenic byways, and transportation enhancements
- Visitor services, information, interpretation, and stewardship
- Visitor health, safety, and accessibility
- Facility operation and maintenance
- Cave and karst management
- Recreation and community partnership, tourism, and marketing

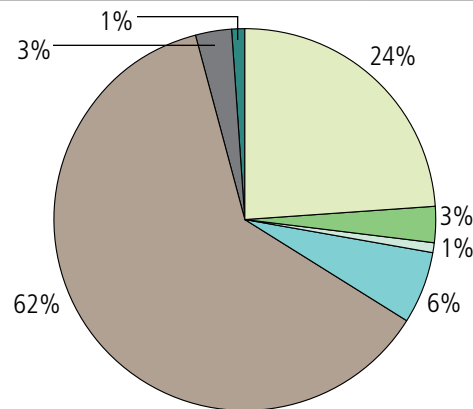
**Figure 59.** Recreation: FY 2007 Costs by Strategic Outcome Goal

2007 Costs in Recreation by Strategic Outcome		
Provide for a quality recreation experience and visitor enjoyment	100%	\$ 188,845,879.33
<b>Total</b>		<b>\$ 188,845,879.33</b>



**Figure 60.** Recreation: How Funding Was Applied

2007 Costs in Recreation by Work Process			
Provide Outreach/Customer Service	24%	\$ 46,220,240.44	
Assess/Inventory Condition/Status	3%	\$ 6,360,385.81	
Perform Planning	1%	\$ 1,753,830.49	
Authorize Use	6%	\$ 10,838,252.95	
Implement BLM-Initiated Actions	62%	\$ 115,914,283.89	
Perform Monitoring	3%	\$ 5,117,156.95	
Manage Compliance	1%	\$ 2,641,728.80	
<b>Total</b>		<b>\$ 188,845,879.33</b>	



**Measuring Progress—  
2007 Results for Selected Measures**

Figure 61 shows performance and funding analysis for performance measure 3.1.01.

There is no baseline for this performance measure. The actual percent is the percent satisfaction as reported on customer surveys, i.e., satisfied customers divided by total respondents. Over the period 2004 through 2007 and 2008 projected, the performance targets for performance measure 3.1.01 has declined slightly while the performance actual has steadily increased as shown in figure 61, chart D. The BLM did not meet its performance target of 94 percent customer satisfaction for FY 2007, missing it by 1 percent for a 93 percent customer satisfaction rating.

During the period of this analysis, there has been a decline in budget applied, cost, and marginal cost for this measure when

stated in absolute dollars. Figure 61, chart C shows the same trend in budget, cost, and marginal cost when those factors are stated in constant dollars, i.e., when absolute dollars are adjusted for inflation. All of the funding applied to this measure was used to authorize use.

The BLM’s recreation management challenges differ significantly from those of other Interior agencies. The BLM is the only Interior agency that manages land within a multiple-use context for both traditional and new recreational opportunities—many of which are not allowed in refuges or parks. The BLM-managed land is the only land that can accommodate many motorized activities, extreme sports, and special events (figure 62). The BLM land is also critical in providing recreation opportunities for traditional dispersed recreation uses such as hunting, camping, fishing, hiking, boating, horseback riding, and shooting sports. These activities are considered essential components

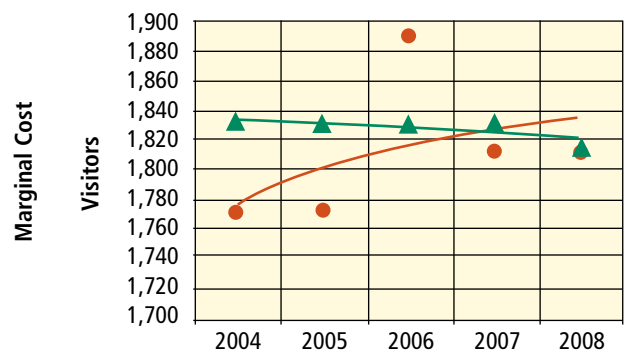
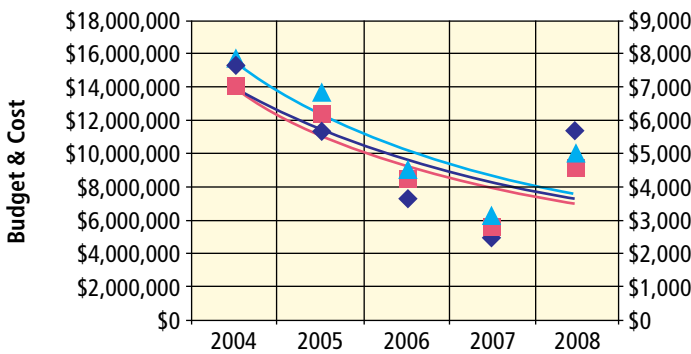


**Figure 61.** Performance and Funding for Measure 3.1.01

**3.1.01** Percent of visitors satisfied with the quality of their experience. (SP/PART)

Budget and cost stated in absolute dollars

<b>A</b>	2004	2005	2006	2007	2008 Projected	Trend Type & R-Sq
<b>Budget Applied</b>	\$15,278,839	\$11,451,928	\$7,448,026	\$5,007,188	\$11,406,062	Log. 0.4821
<b>Cost</b>	\$14,034,854	\$12,232,588	\$8,343,004	\$5,562,070	\$9,011,772	Log. 0.7273
<b>Performance Target</b>	1,831	1,831	1,831	1,831	1,812	Exp. 0.5000
<b>Performance Actual</b>	1,773	1,773	1,890	1,812	1,812	Power 0.2406
<b>Performance Percent</b>	91	91	97	93	93	
<b>Marginal Cost</b>	\$7,916	\$6,899	\$4,414	\$3,070	\$4,973	Log. 0.7284



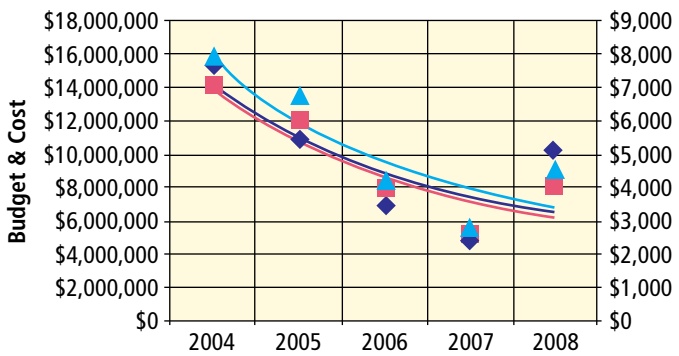
**B**

- Budget Applied (blue diamond)
- Marginal Cost (blue triangle)
- Budget Applied (trend) (blue line)
- Cost (red square)
- Marginal Cost (trend) (blue line)
- Cost (trend) (red line)

**D**

- Performance Target (green triangle)
- Performance Actual (orange circle)
- Performance Target (trend) (green line)
- Performance Actual (trend) (orange line)

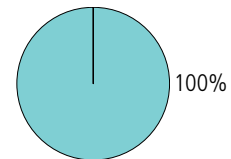
**Budget and Cost Stated in Constant Dollars (2004 as base year)**



**C**

- Budget Applied (blue diamond)
- Marginal Cost (blue triangle)
- Budget Applied (trend) (blue line)
- Cost (red square)
- Marginal Cost (trend) (blue line)
- Cost (trend) (red line)

**How Funding Was Applied: Performance Measure 3.1.01**



2007 Spending in PM 3.1.01	
Provide Outreach/Customer Service	\$0
Assess/Inventory Condition/Status	\$0
Perform Planning	\$0
Authorize Use	100% \$5,562,070
Implement BLM-Initiated Actions	\$0
Perform Monitoring	\$0
Manage Compliance	\$0
<b>Total</b>	<b>\$5,562,070</b>

to the quality of life and economies of many western states and communities.

To provide for a quality recreation experience, the BLM annually conducts a visitor satisfaction survey to better understand the needs of the public. The survey was developed to measure each site's performance related to established performance measures for recreation. For 2007, the BLM's annual visitor satisfaction survey shows a 93 percent overall satisfaction rating with facilities, services, and recreational opportunities.

The success of BLM's recreation program is the direct result of developing and maintaining an extensive array of partnerships in all aspects of the program. Partnership activities include developing cooperative efforts with other governmental entities at all levels, working with interest and user groups, maintaining an active volunteer program, working with communities and tourism interests, and building alliances for such varied activities.

### **Factors Influencing Performance**

The population growth rate of the West will continue to affect management of the BLM recreation and visitor services program. The populations of 8 of the 12 western states that comprise what has been called the "remnants of the American Frontier" have grown over 50 percent, with the largest growth centered within urban areas, and the demand for outdoor recreation in the West has increased by 65 percent in the last 30 years. The extraordinary size of this uniquely American public estate, combined with the vast diversity of BLM outdoor recreation settings, attracted over 56 million visitors in 2007. The BLM is privileged to be stewards of these great western lands, for their open spaces, heritage, wildlife, and the adventures treasured by an ever-increasing number of visitors.

### **2008 Performance Forecast**

The focus of BLM's recreation program for FY 2008 will be to:

**Figure 62.** Rock crawler on the Annihilator Trail in Arizona.



- Continue to implement a strategy to support the Energy Policy Act
- Maintain and enhance BLM's wilderness areas and wilderness study areas, and continue to support land use planning by reviewing plans and identifying wilderness characteristics
- Transition to a more efficient and collaborative benefits-based management framework
- Use a comprehensive approach to managing roads and trails for travel and access including implementing off-highway vehicle use designations and issuing recreation permits and collecting fees under the Federal Lands Recreation Enhancement Act
- Improve visitor services and access for persons with disabilities
- Improve business practices, fee program oversight, and accountability
- Continue to sustain partnerships and leverage limited resources

## Serving Communities

Improve protection of lives, resources, and property

The BLM serves communities in diverse ways, including through its own programs such as planning and wildfire management, and through the administration of legislation, such as the Alaska Native Claims Settlement and the Southern Nevada Public Land Management Acts.

The backbone of BLM programs is the planning process. Through the resource management planning process, a set of decisions that establish management direction and the allocation of resources for public lands is made. Accurate, up-to-date RMPs are integral to the effective management of the nation's public lands. Since 2001, the resource management planning program has focused on assessment, revision, or amendment of 60 plans, with 3 RMP evaluations being completed in FY 2007. Through collaboration and partnerships, the planning process helps the BLM determine how best to manage public lands to meet the needs of both local communities and the nation as a whole. Development of RMPs involves consultation and coordination with a variety of agencies (Federal, state, and local) and extensive public involvement.

Early public land policies provided for quick disposal of western lands to promote settlement. These early disposals were made without land use planning and play a part in the current complex pattern of intermingled Federal, state, and private lands. This land pattern is a management challenge for all parties. Through the development of land use plans, the BLM identifies opportunities for land consolidation through land disposal (land sales), acquisition (land purchase), and land exchange. Land use planning, sale, acquisition, exchange, and management require collaboration with the public to be most effective.

In Alaska, legislation has provided for 46.7 million acres of land entitlements to Alaska Native Corporations and 104.5 million acres to the State of Alaska. The

BLM helps implement this legislation by surveying, patenting, and conveying lands selected by the state and Alaska Native Corporations.

In the southwest, land sales in southern Nevada fall under the Southern Nevada Public Land Management Act of 1998, as amended. Under this Act, the BLM is mandated to sell land in the greater Las Vegas Valley. The proceeds of the land auctions are used to fund projects in Clark and Lincoln Counties and to acquire environmentally sensitive lands throughout Nevada with priority given to Clark County.

The land transactions described here provide land and funding to local communities. Land sales, in part, allow for expansion of a local community or provide Native Alaskans with ancestral lands. Land acquisitions provide for improved management of wildlife habitat or the protection of archaeological and historical resources, both of which are long-term investments for the future.

The protection of communities and natural resources from unwanted wildland fire is important to the BLM. Working with the other Department of the Interior bureaus, the U.S. Forest Service, and local fire departments, the BLM strives to extinguish fires while they are small. In FY 2007, the BLM has successfully suppressed 97 percent of new wildland fire starts. Early suppression prevents fires from growing into large fires that can damage local communities and infrastructure. In this way, fewer homes and communities are evacuated and there is less damage to homes, infrastructure, and property. In addition, suppression of small fires saves taxpayer dollars as well as protecting human and natural resources.

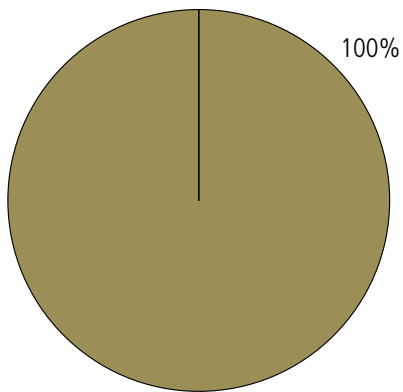
Working with individual communities to develop RMP decisions or community wildfire protection plans can be time-consuming, but it is an important investment of time and funds. The BLM is committed to making these investments and including as many partners as possible when developing plans and making large-scale decisions.

Figures 63 and 64 show costs and how funding was applied for serving communities.



**Figure 63.** Serving Communities: FY 2007 Costs by Strategic Outcome Goal

2007 Costs in Serving Communities by Strategic Outcome		
Protect lives, resources, and property	100%	\$1,135,871,768.65
<b>Total</b>		<b>\$1,135,871,768.65</b>



**Strategic Outcome Goals**

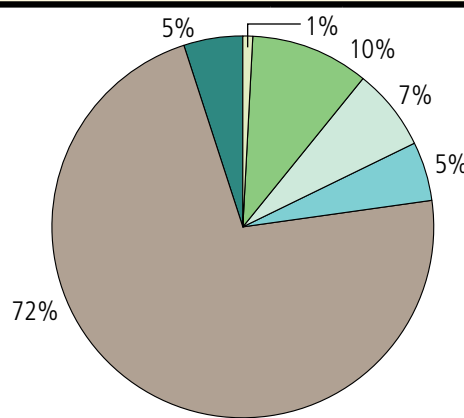
- Protect lives, resources, and property

**Selected Performance Measures**

- Number of resource management plan evaluations completed
- Acreage of land disposals increased and conveyances completed outside Alaska
- Percent of land patented to the state and Alaskan Native Corporations as required by statute
- Percent of total land within the Southern Nevada Public Land Management Act (SNPLMA) boundary offered for sale or disposal under the Recreation and Public Purposes Act
- Percent of unplanned and unwanted wildland fires on BLM land controlled during initial attack

**Figure 64.** Serving Communities: How Funding Was Applied

2007 Costs in Serving Communities by Work Process		
Provide Outreach/Customer Service	1%	\$ 9,267,988.28
Assess/Inventory Condition/Status	10%	\$ 112,185,526.53
Perform Planning	7%	\$ 77,683,077.98
Authorize Use	5%	\$ 53,423,149.77
Implement BLM-Initiated Actions	72%	\$ 824,760,977.33
Perform Monitoring	0%	\$ 1,179,019.26
Manage Compliance	5%	\$ 57,372,029.50
<b>Total</b>		<b>\$1,135,871,768.65</b>



- Number and percent of treated wildland-urban interface (WUI) acres that are identified in community wildfire protection plans or other applicable collaboratively developed plans

**Protect Lives, Resources, and Property**

**Description**

The BLM programs encompassed by this strategic outcome goal include land use planning, law enforcement, the lands program (acquisition, disposal, exchange, cadastral survey, rights-of-way, and land title records), wildland fire, hazardous materials mitigation, facilities maintenance, and construction.

### ***Measuring Progress—2007 Results for Selected Measures***

Figure 65 shows performance and funding analysis for performance measure 4.1.15.

Performance measure 4.1.15 is not measured as a percent and, therefore, it has no baseline. The performance targets for performance measure 4.1.15 have increased slightly from 2004 through 2007 and are projected to increase in 2008, as shown in figure 65, chart D. The BLM has consistently met its performance targets over this period, including those for 2007.

There has been an increase in budgetary resources applied to this measure, as well as a decline in total cost and marginal cost when stated in absolute dollars. Figure 65, chart C, also shows an unmistakable decrease in budget, cost, and marginal cost when those factors are stated in constant dollars, i.e., when absolute dollars are adjusted for inflation. All of the funding applied to this measure was used for planning.

Resource management plans are a set of decisions that establish management direction for the public lands administered by the BLM. Accurate, up-to-date RMPs are integral to the effective management of the nation's public lands because RMP decisions are the basis for every action the BLM implements. Development of RMPs is a complex process involving consultation and coordination with a variety of cooperating agencies (Federal, state, and local governments and agencies) and extensive public involvement to resolve public land management issues. Through collaboration and partnerships, the planning process helps the BLM determine how best to manage public lands to meet the needs of both local communities and the nation as a whole.

Since 2001, the resource management planning program has focused on assessment, revision, or amendment of 60 ongoing or new plans. The BLM has given priority to completing RMPs that address increased demands for oil and gas leasing, legislatively mandated plans for national conservation areas, or early avoidance or resolution of prospective litigation, appeals, and protests.

The BLM has completed 42 new or revised RMPs and RMP amendments over the past 5 years, with 59 planning projects currently in progress. In 2007, 11 RMPs or RMP amendments were completed.

From 2004 through 2007, the amount of consultation, coordination, and cooperation required to prepare these plans has increased, as has the complexity of issues associated with management of the public lands (such as energy development, management and protection of key sagebrush habitat, livestock grazing, travel management, and special status species). In response, the BLM is implementing a comprehensive strategy to support the entire planning cycle of plan development, plan implementation, monitoring, evaluation, maintenance, and amendment, which allows us to make continuous adjustments to address new issues and changing circumstances and amend plans based on ongoing monitoring and evaluation activities.

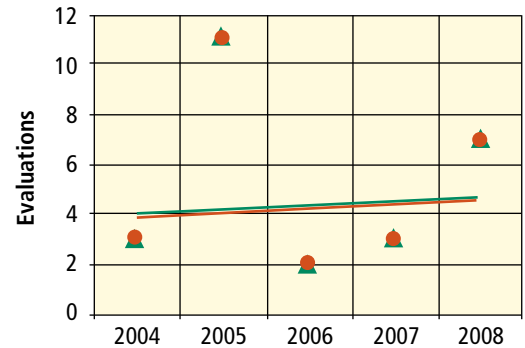
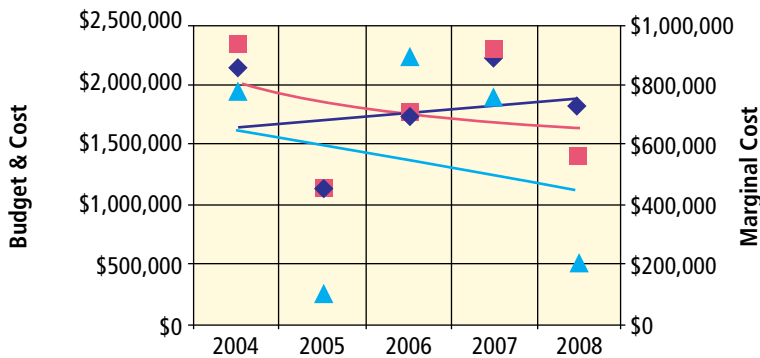
In 2005, the OMB conducted an evaluation of the resource management planning program. As a result of this evaluation, the BLM and OMB identified followup actions that should be taken to improve performance of the resource management planning program. In 2007, the BLM developed six new performance measures to assess the effectiveness (implementation) of the program, as well as the effectiveness of decisions contained within its RMPs. The scope of the efficiency measure is determined by the number of RMPs completed within 4 years of their start, with the goal being to improve the BLM's RMP completion time. The scope of the effectiveness measures is determined by conducting RMP evaluations, which involve reviewing RMPs and monitoring reports to determine the effectiveness of decisions contained within the RMPs. These evaluations are conducted every 5 years. If decisions are found to still be valid and effective, no further planning-related action is required until the next evaluation. If one or more decisions are found to no longer be valid or effective, the RMP is then amended or revised in order to ensure effective

**Figure 65.** Performance and Funding for Measure 4.1.15

**4.1.15** Number of resource management plan evaluations completed. (Bur)

Budget and cost stated in absolute dollars

<b>A</b>	2004	2005	2006	2007	2008 Projected	Trend Type & R-Sq
<b>Budget Applied</b>	\$2,142,473	\$1,125,943	\$1,720,694	\$2,228,617	\$1,816,789	Exp. 0.0422
<b>Cost</b>	\$2,333,445	\$1,124,926	\$1,774,666	\$2,283,058	\$1,412,353	Log. 0.0802
<b>Performance Target</b>	3	11	2	3	7	Exp. 0.0080
<b>Performance Actual</b>	3	11	2	3	7	Exp. 0.0080
<b>Marginal Cost</b>	\$777,815	\$102,266	\$887,333	\$761,019	\$201,765	Linear 0.0458



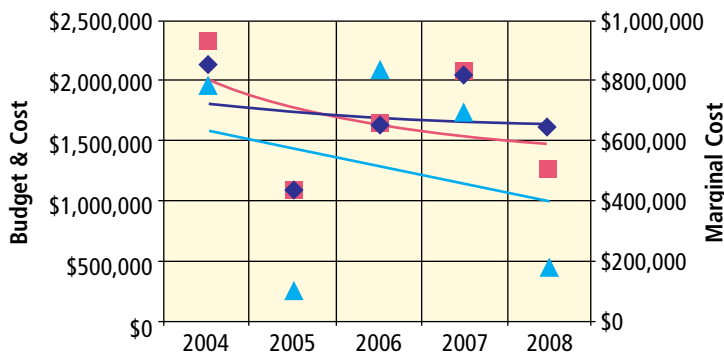
**B**

- Budget Applied (blue diamond)
- Marginal Cost (blue triangle)
- Budget Applied (trend) (blue line)
- Cost (red square)
- Marginal Cost (trend) (light blue line)
- Cost (trend) (red line)

**D**

- Performance Target (green triangle)
- Performance Actual (orange circle)
- Performance Target (trend) (green line)
- Performance Actual (trend) (orange line)

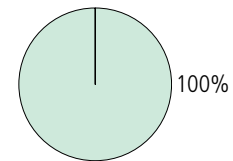
**Budget and Cost Stated in Constant Dollars (2004 as base year)**



**C**

- Budget Applied (blue diamond)
- Marginal Cost (blue triangle)
- Budget Applied (trend) (blue line)
- Cost (red square)
- Marginal Cost (trend) (light blue line)
- Cost (trend) (red line)

**How Funding Was Applied: Performance Measure 4.1.15**



**2007 Spending in PM 4.1.15**

Provide Outreach/Customer Service	\$0	
Assess/Inventory Condition/Status	\$0	
Perform Planning	100%	\$2,283,058
Authorize Use	\$0	
Implement BLM-Initiated Actions	\$0	
Perform Monitoring	\$0	
Manage Compliance	\$0	
<b>Total</b>		<b>\$2,283,058</b>



management of the public lands. These new performance measures were submitted to OMB for approval in 2007.

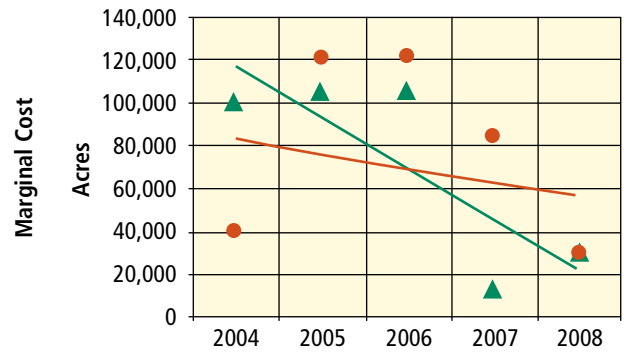
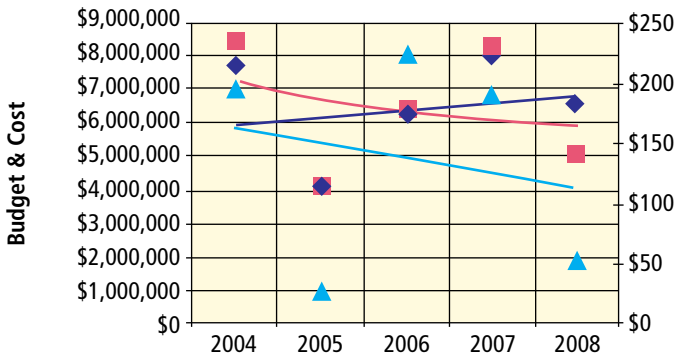
Figure 66 shows performance and funding analysis for performance measure 4.1.28.

**Figure 66.** Performance and Funding for Measure 4.1.28

**4.1.28** Acreage of land disposals increased and conveyances completed outside Alaska. (Bur/PART)

Budget and cost stated in absolute dollars

<b>A</b>	2004	2005	2006	2007	2008 Projected	Trend Type & R-Sq
<b>Budget Applied</b>	\$7,822,254	\$5,639,230	\$4,985,529	\$4,786,350	\$5,471,486	Log. 0.7414
<b>Cost</b>	\$8,070,927	\$5,792,440	\$4,858,413	\$4,717,397	\$4,741,290	Power 0.9245
<b>Performance Target</b>	100,000	105,000	105,000	11,500	30,000	Linear 0.6513
<b>Performance Actual</b>	40,200	121,046	121,788	84,363	30,000	Exp. 0.0538
<b>Marginal Cost</b>	\$201	\$48	\$40	\$56	\$158	Log. 0.1482



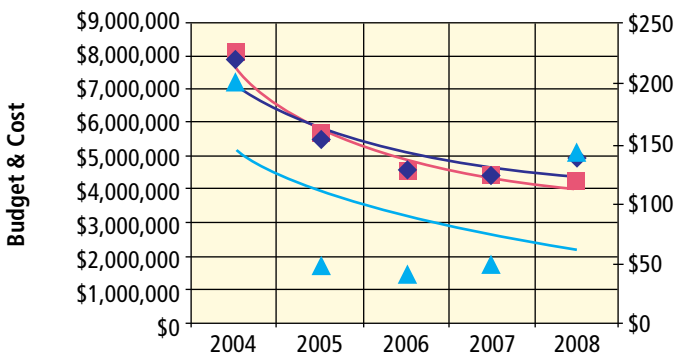
**B**

- ◆ Budget Applied
- ▲ Marginal Cost
- Budget Applied (trend)
- ◆ Cost
- Marginal Cost (trend)
- Cost (trend)

**D**

- ▲ Performance Target
- Performance Actual
- Performance Target (trend)
- Performance Actual (trend)

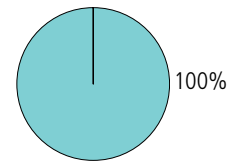
**Budget and Cost Stated in Constant Dollars (2004 as base year)**



**C**

- ◆ Budget Applied
- ▲ Marginal Cost
- Budget Applied (trend)
- ◆ Cost
- Marginal Cost (trend)
- Cost (trend)

**How Funding Was Applied: Performance Measure 4.1.28**



**2007 Spending in PM 4.1.28**

Provide Outreach/Customer Service	\$0	
Assess/Inventory Condition/Status	\$0	
Perform Planning	0%	\$2,580
Authorize Use	100%	\$4,714,817
Implement BLM-Initiated Actions	\$0	
Perform Monitoring	\$0	
Manage Compliance	\$0	
<b>Total</b>		<b>\$4,717,397</b>

Performance measure 4.1.28 is not measured as a percent and, therefore, it has no baseline. The performance targets and the performance actuals for performance measure 4.1.28 have declined significantly from 2004 through 2007 and are projected to decline in 2008, as shown in figure 66, chart D. However, the BLM exceeded its performance target for 2007.

There has also been a decline in budgetary resources applied to this measure as well as a decline in total cost when stated in absolute dollars. The marginal cost per acre disposed or conveyed has declined. Figure 66, chart C, shows a decrease in budget applied, total cost, and marginal cost when those factors are stated in constant dollars, i.e., when absolute dollars are adjusted for inflation. Almost all of the funding applied to this measure was used to authorize use.

Land consolidation through disposal (sale), acquisition (purchase), and exchange is an important component of the BLM's land management strategy. The strategy is designed to: (1) improve management of natural resources through consolidation of Federal, state, and private lands, (2) increase recreational opportunities and preserve open space, (3) secure key property necessary to protect endangered species and promote biological diversity, (4) preserve archaeological and historical resources, (5) implement specific acquisitions authorized by acts of Congress; and (6) allow for expansion of communities and consolidation of non-Federal land ownership.

The Federal Land Policy and Management Act of 1976 established a policy to generally retain the public lands in public ownership. The BLM does occasionally sell parcels of land where land use planning finds disposal appropriate. By law, such lands are offered for sale at fair market value. Land sales are conducted by BLM field offices and are announced in the "Federal Register" and local media.

Recognizing the strong public need for a nationwide system of parks and other recreational and public purpose areas, Congress passed the Recreation and Public Purposes Act in 1954. The act authorizes the

sale or lease of public lands for recreational or public purposes to state and local governments and to qualified nonprofit organizations. Recreational use includes parks and recreational areas, campgrounds, picnic areas, boating sites, county and municipal playgrounds, and a wide range of various recreational activities. Public purpose use includes historic monuments, wildlife habitat areas, hospitals, clinic, laboratories, research institutions, schools, airports, and churches.

The Federal Land Policy and Management Act also provides general acquisition authority to the BLM. The purchase of land and interest in land (including access easements, conservation easements, mineral rights, and water rights), can be accomplished within a few months with funding and appropriate land use plan decisions. Acquired lands must have no title defects, hazardous materials, or other mitigating local issues.

A third option open to the BLM is the use of land exchanges. Public lands may be exchanged for private lands owned by corporations, individuals, or states. Exchanges are pursued with willing landowners only and benefit the public by: (1) placing public land in private ownership to serve local needs, and (2) consolidating ownership of scattered tracts of land for more efficient and less costly management of resources.

Figure 67 shows performance and funding analysis for performance measure 4.1.04.

The baseline quantity for performance measure 4.1.04 is 150,497,040 acres. Therefore, the actual percent is the "performance actual" of 72,596,441 acres divided by 150,497,040 acres, which yields 48 percent. The performance targets and the performance actuals for performance measure 4.1.04 have steadily decreased from 2004 through 2007 and are projected to decrease in 2008, as shown in figure 67, chart D. The BLM slightly exceeded its performance targets for 2007.

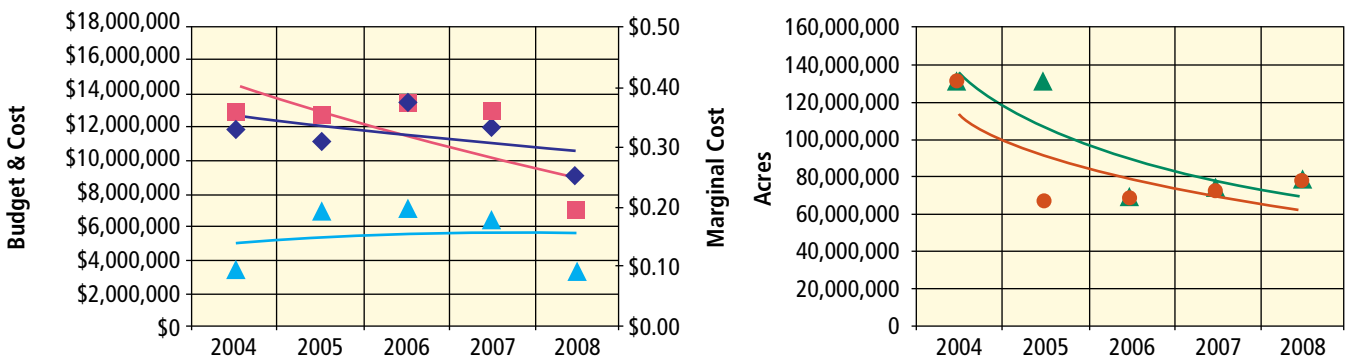
There has been a decrease in budgetary resources applied and total cost for this measure when stated in absolute dollars. The

**Figure 67.** Performance and Funding for Measure 4.1.04

**4.1.04 Alaska Land Conveyances:** Percent of land patented to the State and Alaskan Native Corporations as required by statute. (Bur/PART))

Budget and cost stated in absolute dollars

<b>A</b>	2004	2005	2006	2007	2008 Projected	Trend Type & R-Sq
<b>Budget Applied</b>	\$11,910,743	\$11,157,213	\$13,673,250	\$12,131,018	\$9,235,432	Exp. 0.2177
<b>Cost</b>	\$12,695,217	\$12,715,256	\$13,495,878	\$12,941,004	\$6,978,135	Exp. 0.4502
<b>Performance Target</b>	129,473,368	131,015,483	67,401,002	72,596,441	77,096,441	Log. 0.6974
<b>Performance Actual</b>	130,074,490	66,857,025	68,396,441	72,596,441	77,096,441	Log. 0.5723
<b>Performance Percent</b>	86	44	45	50	51	
<b>Marginal Cost</b>	\$0.10	\$0.19	\$0.20	\$0.18	\$0.09	Log. 0.0217

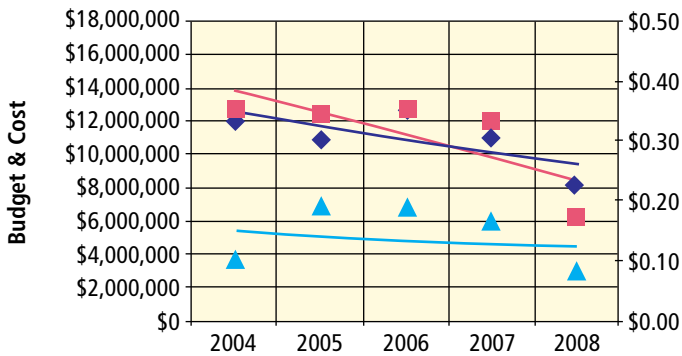


**B** ◆ Budget Applied ■ Cost ▲ Performance Target **D**

▲ Marginal Cost — Marginal Cost (trend) ● Performance Actual

— Budget Applied (trend) — Cost (trend) — Performance Target (trend) — Performance Actual (trend)

**Budget and Cost Stated in Constant Dollars (2004 as base year)**

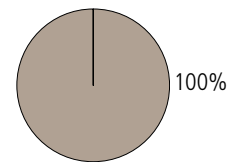


**C** ◆ Budget Applied ■ Cost

▲ Marginal Cost — Marginal Cost (trend)

— Budget Applied (trend) — Cost (trend)

**How Funding Was Applied: Performance Measure 4.1.04**



**2007 Spending in PM 4.1.04**

Provide Outreach/Customer Service	\$0	<input type="checkbox"/>
Assess/Inventory Condition/Status	\$0	<input type="checkbox"/>
Perform Planning	\$0	<input type="checkbox"/>
Authorize Use	\$0	<input type="checkbox"/>
Implement BLM-Initiated Actions	100%	\$12,941,004
Perform Monitoring	\$0	<input type="checkbox"/>
Manage Compliance	\$0	<input type="checkbox"/>
<b>Total</b>		<b>\$12,941,004</b>



marginal cost has increased slightly. Figure 67, chart C, also shows a decrease in budget, cost, and marginal cost when those factors are stated in constant dollars, i.e., when absolute dollars are adjusted for inflation. All of the funding applied to this measure was used to implement BLM-initiated actions.

Alaska BLM exceeded the acreage target for both state and Alaskan Native Corporations in FY 2007. The acres goal for state land patents was 3.0 million acres in FY 2007. By the end of 2007, 4.8 million acres had been patented to the state. The BLM exceeded this goal by 59 percent.

The goal for patented acres to the Alaskan Native Corporations was 1.2 million for FY 2007. By the end of 2007, 1.5 million acres had been patented. The BLM exceeded this goal by 22 percent.

In Alaska, the BLM has been tasked with the largest land transfer effort ever undertaken in the United States. For more than 30 years, the BLM has been involved with the survey and conveyance of lands in Alaska under three statutes: the Native Allotment Act of 1906; the Alaska Statehood Act, and the Alaska Native Claims Settlement Act. The work being done to implement these laws is collectively called the Alaska Land Transfer Program.

When Alaska became the 49th state in 1959, nearly all of its 365 million acres were under Federal ownership. Since then, Alaskans have witnessed dramatic changes in land ownership. As the Secretary of the Interior's designated survey and land transfer agent, the BLM surveys and conveys land to individual Alaskan Natives and Native Corporations (figure 68). Alaska Native Corporations have combined land entitlements of 46.1 million acres.

In 2007, 38.3 million acres had been transferred to Native Corporations, of which 23 million acres had been fully surveyed and patented. Title to 15.3 million acres was transferred by interim conveyance with final survey and patent to follow. An additional 7.8 million acres must still be transferred.

The State of Alaska has combined land entitlements of 104.5 million acres. In 2007, 93.6 million acres were transferred to the State, of which 50.1 million acres were fully

surveyed and patented. Title to 43.5 million acres was transferred by tentative approval with final survey and patent to follow. An additional 10.9 million acres must still be transferred. When work is completed, over 150.0 million acres, approximately 42 percent of the land area in Alaska, will have been transferred from Federal to state and private ownership.

Figure 69 shows performance and funding analysis for performance measure 4.1.05.

In 2007, there were 371 acres within the SNPLMA boundary offered for sale under the Recreation and Public Purposes Act. The 371 acres offered divided by 26,972 total acres with the SNPLMA boundary yields 1 percent. This was a new performance measure beginning in FY 2006, so no performance information is provided for years prior to 2006. The performance targets and performance actuals for performance measure 4.1.05 have declined from 2006 to 2007 and are projected to decline in 2008, as shown in figure 69, chart C. However, the BLM has met its performance targets, including those for 2007. There is no budget or cost data for this measure because it is a support measure.

In Nevada, to comply with the Southern Nevada Public Land Management Act, nominated land sale parcels are sold to the highest bidder at auctions held by the BLM. Thus far, the BLM has sold about 12,926 acres of public land located in the Las Vegas Valley for approximately \$2.7 billion. The law requires that 10 percent of the sale

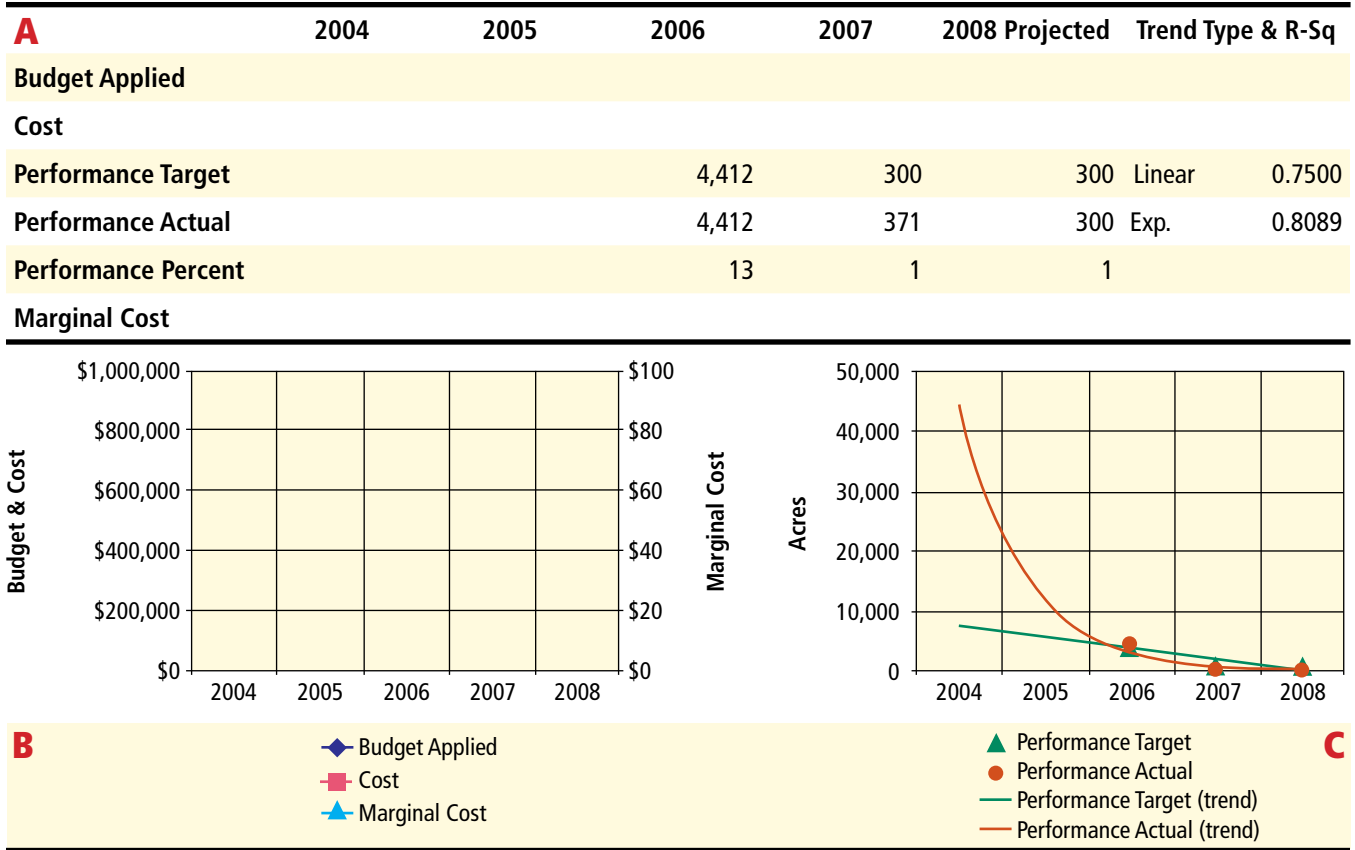
**Figure 68.** As required by statute, the BLM surveys and conveys lands to Alaska Native Corporations.



**Figure 69.** Performance and Funding for Measure 4.1.05

**4.1.05** Percent of total land within SNPLMA boundary offered for sale or disposal under the Recreation and Public Purposes Act. (Bur/PART)

Support Measure—No cost will be shown



proceeds be transferred to the Southern Nevada Water Authority for infrastructure requirements, 5 percent to the State of Nevada General Education Fund, and 85 percent to the Secretary of the Interior for projects and land acquisitions in Nevada.

Projects funded under this legislation have to be approved by the Interior Secretary. They are developed and submitted for approval in a process called a “round” by the BLM, the U.S. Forest Service, the Fish and Wildlife Service, the National Park Service, and local governments. In February 2006, the Secretary of the Interior authorized \$1.08 billion in expenditures for round 6, including projects totaling \$876 million, funds for planning for future projects in Clark and Lincoln Counties, and additional funding (\$150 million) set aside for future Lake Tahoe restoration. Funds for the round 6 projects were allocated in FY 2007 and are

beginning to be implemented. The BLM opened round 7 for project nominations on June 12, 2006, and closed the nomination process August 10, 2006. One competitive land sale was held in FY 2007. In addition, a “direct” sale (a sale where there is only one bidder who meets the specified requirements) was also planned for FY 2007, but the purchaser pulled out.

Funds generated from the Southern Nevada Public Land Management Act support a myriad of natural resource projects. As an example, round 6 included \$744,822 to develop habitat models and monitoring techniques for nine rare bird species within the “Clark County Multiple Species Habitat Conservation Plan.” This is a 6-year project to collect monitoring data for bird species. Products of this project include an estimate of annual population size, the development of an empirical method of population

monitoring, and maps of occupied and suitable habitat in Clark County.

In another example, \$696,135 was approved during round 4 as part of the Cultural Site Stewardship Program. This interagency program is designed to increase the number of cultural sites that are being monitored, recruit and train additional cultural site steward volunteers, develop a program to retain current volunteers, develop additional training workshops for active volunteers, and develop opportunities for volunteers to participate in community outreach and public education programs.

In November 2003, the Southern Nevada Public Land Management Act was amended to direct \$300 million, over a period of 8 years, to Lake Tahoe for implementation of the Federal environmental improvement program. The Southern Nevada Public Land Management Act funds hundreds of projects in the public interest. Additional information about this program can be found at [www.nv.blm.gov/snplma](http://www.nv.blm.gov/snplma).

Figure 70 shows performance and funding analysis for performance measure 4.1.08.

There were 1,744 fires on BLM lands in 2007, 1,649 of which were controlled during initial attack. The 1,649 fires controlled during initial attack divided by 1,744 total fires yields 95 percent. The performance targets for performance measure 4.1.08 have declined from 2004 through 2007 and are projected to remain steady in 2008, as shown in figure 70, chart D. Performance actuals have declined over this same period. Although the BLM met its performance target for FY 2007, the trend in actual performance remains downward.

There has been a slight decrease in budgetary resources applied, a more substantial decrease in total cost, and an increase in marginal cost when stated in absolute dollars. Figure 70, chart C, also shows a decrease in budget and cost, and an increase in marginal cost when those factors are stated in constant dollars, i.e., when absolute dollars are adjusted for inflation. Of the funding applied to this measure, about 96 percent was used for implementing BLM-initiated actions, 2 percent was used to

provide outreach/customer service, and the remaining 2 percent was used for planning.

In August 2000, following a landmark wildland fire season, the National Fire Plan was developed with the intent of actively responding to severe wildland fires and their impacts to communities while ensuring sufficient firefighting capacity for the future. The National Fire Plan addresses five key points: firefighting, rehabilitation, hazardous fuels reduction, community assistance, and accountability.

The National Fire Plan continues to provide invaluable technical, financial, and resource guidance and support for wildland fire management across the United States. Together, the U.S. Forest Service and the Department of the Interior are working to successfully implement the key points outlined in the National Fire Plan by: (1) assuring necessary firefighting resources and personnel are available to respond to unwanted wildland fires that threaten lives and property, (2) conducting emergency stabilization and rehabilitation activities on landscapes and communities affected by wildland fire, (3) reducing hazardous fuels in forests and rangelands, (4) providing assistance to communities that have been or may be threatened by wildland fire, and (5) supporting the establishment of the Wildland Fire Leadership Council, an interagency team created to set and maintain high standards for wildland fire management on public lands.

The BLM is a leader in wildland fire management efforts in the United States. The BLM undertakes a broad range of activities to protect the public, natural landscape, wildlife habitat, and recreational areas on public lands in the safest way possible. The wildland fire management program includes fire suppression, preparedness, fuels management, prevention and education, community assistance and protection, and most significantly, safety. The challenges in this program are met by highly trained and skilled professional firefighters and managers.

The BLM takes action to suppress an average of 2,684 fires per year, with an average annual success rate of controlling fires on initial attack at 95 percent. Initial

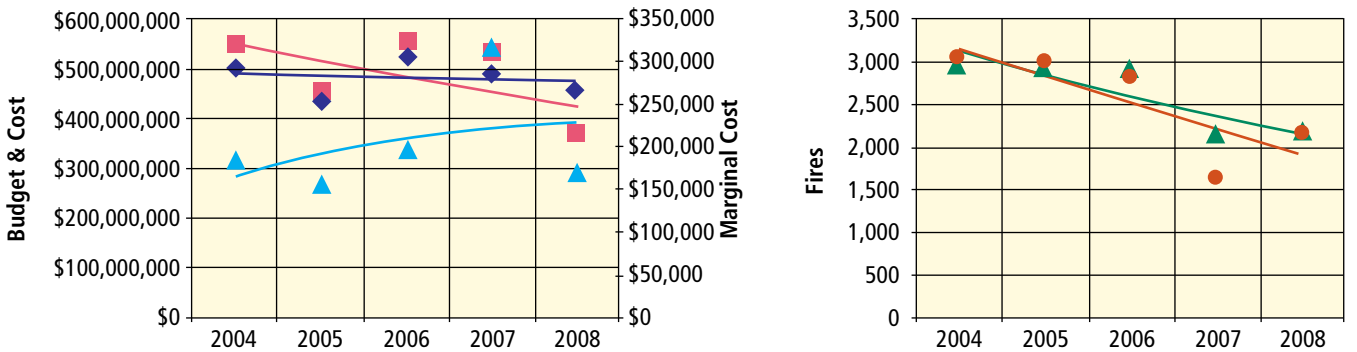


**Figure 70.** Performance and Funding for Measure 4.1.08

**4.1.08 Wildland Fire: Percent of unplanned and unwanted wildland fires on BLM land controlled during initial attack. (SP)**

Budget and cost stated in absolute dollars

<b>A</b>	2004	2005	2006	2007	2008 Projected	Trend Type & R-Sq
<b>Budget Applied</b>	\$504,132,470	\$434,385,220	\$523,690,547	\$489,098,555	\$459,473,097	Log. 0.0253
<b>Cost</b>	\$547,159,381	\$452,267,396	\$553,203,213	\$523,563,031	\$366,013,440	Exp. 0.3554
<b>Performance Target</b>	2,936	2,936	2,936	2,143	2,143	Exp. 0.7500
<b>Performance Actual</b>	3,029	2,998	2,840	1,649	2,143	Linear 0.6537
<b>Performance Percent</b>	98	97	92	95	95	
<b>Marginal Cost</b>	\$180,640.27	\$150,856.37	\$194,789.86	\$317,503.35	\$170,794.89	Log. 0.1371



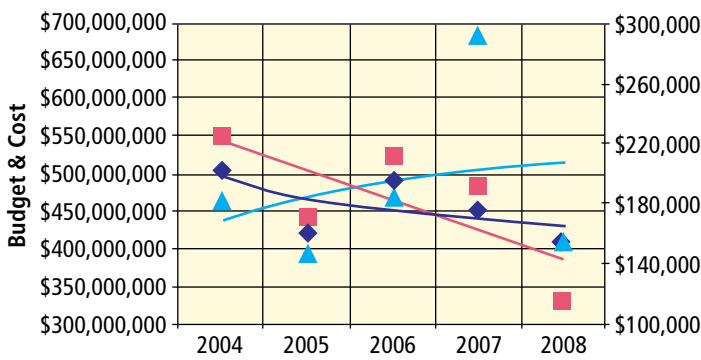
**B** ◆ Budget Applied    ▲ Marginal Cost    — Budget Applied (trend)

■ Cost    — Marginal Cost (trend)    — Cost (trend)

**D** ▲ Performance Target    ● Performance Actual    — Performance Target (trend)

— Performance Actual (trend)

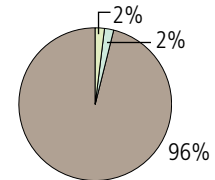
**Budget and Cost Stated in Constant Dollars (2004 as base year)**



**C** ◆ Budget Applied    ▲ Marginal Cost    — Budget Applied (trend)

■ Cost    — Marginal Cost (trend)    — Cost (trend)

**How Funding Was Applied: Performance Measure 4.1.08**



<b>2007 Spending in PM 4.1.08</b>		
Provide Outreach/Customer Service	2%	\$8,243,071
Assess/Inventory Condition/Status		\$0
Perform Planning	2%	\$12,362,682
Authorize Use		\$0
Implement BLM-Initiated Actions	96%	\$502,957,278
Perform Monitoring		\$0
Manage Compliance		\$0
<b>Total</b>		<b>\$523,563,031</b>

attack is defined as the first burning period. Controlling fires during that period reduces the number of fires that become large, intense, and costly, but can also contribute to unnatural fuel accumulations in some vegetation types.

The 3 to 5 percent of fires that escape initial attack are generally driven by weather events that overtake the capabilities of the initial attack forces along with fire occurrences in remote locations, difficult access and terrain, and multiple starts, which in combination, can cause fires to exceed the capability of initial attack forces. Weather, combined with dry fuels, is often the cause of escaped fires on BLM lands. Fire starts are most often associated with lightning storms, usually dry lightning. These storms are frequently accompanied by wind events. Table 5 shows the number of fires and acres burned over the past 10 years for all Federal lands, regardless of ownership, and also for BLM lands only.

To gain a better understanding of wildland fire and fuels management, the Joint Fire Science Program was created by Congress in 1998 as an interagency research, development, and applications partnership between the Departments of the Interior and Agriculture. The Joint Fire Science Program provides credible research tailored to the needs of fire and fuel managers.

After fires, plans for emergency stabilization and fire rehabilitation are developed. Restoration of vegetation and stability of soils are the primary emphasis of the plans. Minor facilities damaged or destroyed by wildland fire are also repaired or replaced. The Department of the Interior spends nearly \$25 million on fire rehabilitation annually with approximately 85 percent spent on BLM lands.

Figure 71 shows performance and funding analysis for performance measure 4.1.10.

This is a new performance measure, so the data collected for 2007 will be used to establish a baseline quantity. The performance target for performance measure 4.1.10 was met for 2007. This is a support measure so no budget or cost data will be provided.

In FY 2004, 2005, and 2006, this measure was defined as “number of acres that are treated in the wildland-urban interface and are considered high priority through collaboration.” The treatment of wildland-urban interface acres continues to be a high priority with the expectation that the BLM will have identified 65 percent of wildland-urban interface acre treatments within community wildfire protection plans in FY 2007 and 75 percent in FY 2008. Identifying treatments in this way ensures that the communities and other agencies and governments are involved and that the treatments are prioritized in a collaborative manner.

Communities that have been or may be threatened by wildland fire may need many types of assistance. Community participation is at the core of carrying out citizen-driven solutions to reduce the risks of fire in the wildland-urban interface. The BLM works directly with communities in the West to develop community wildfire protection plans. The plans are developed through collaboration with Federal, state, and local governments; residents; nonprofit organizations; and other interested parties. Through this collaborative community wildfire protection planning process,

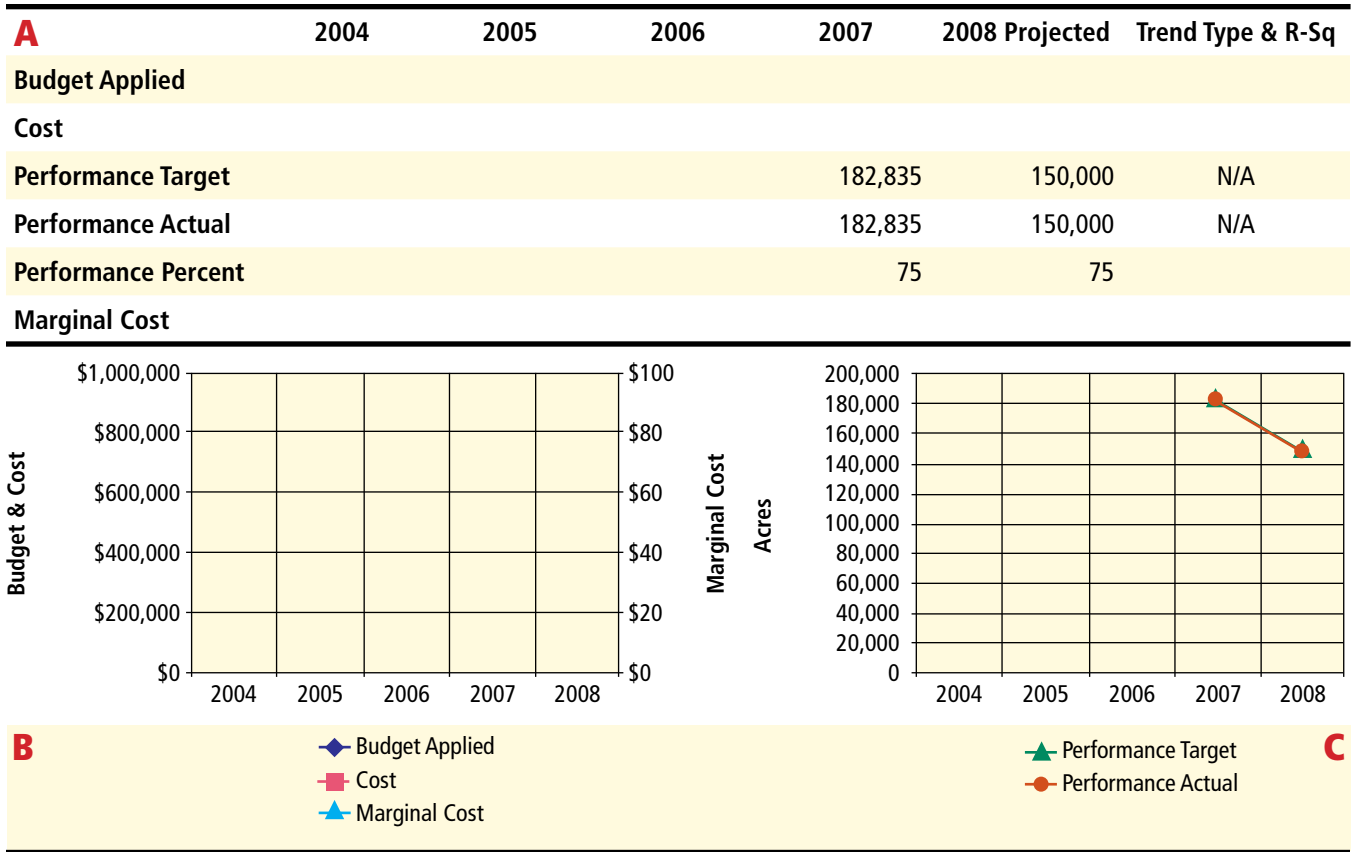
**Table 5.** Increases in Fire Severity over the Past 10 Fire Seasons

Fiscal Year	Number of Fires All Federal Ownerships	Acres Burned All Federal Ownerships	Number of Fires BLM	Acres Burned BLM
2007	71,244	8,155,743	1,744	2,021,453
2006	82,922	8,961,859	3,537	2,348,489
2005	52,311	8,150,320	2,534	3,673,332
2004	60,470	7,738,246	2,651	1,288,469
2003	48,750	3,137,673	2,717	348,714
2002	66,914	6,531,436	2,373	976,017
2001	62,200	3,031,382	3,295	990,321
2000	79,687	6,862,608	3,363	1,666,530
1999	74,281	4,751,109	2,673	2,386,789
1998	67,158	2,168,451	1,948	369,428
Average	66,594	5,948,883	2,684	1,606,954

**Figure 71.** Performance and Funding for Measure 4.1.10

**4.1.10 Wildland Fire:** Number and percent of treated wildland-urban interface acres that are identified in community wildfire protection plans or other applicable collaboratively developed plans. (SP)

Support Measure—No cost will be shown.



**Figure 72.** The BLM treats fuels to reduce the risks to homes from wildfires.



communities and agencies have come together to assess fire hazards and make plans for their reduction. The funded projects are designed to reduce the hazardous fuel

loading, which will reduce the intensity of wildland fires. In this way, the communities are better protected. Reducing fuels hazards in the wildland urban interface lessens damage to community infrastructure and homes in the event of wildland fire. The funds invested have saved lives and property (figure 72).

The BLM fuel management program focuses on protecting communities and our natural resources while providing for local economic opportunities. During the past 5 years, over 2.2 million acres have been treated and over \$230 million in contracts have supplemented rural economies. In FY 2007, the BLM treated 113,027 acres within the wildland urban interface that are identified in the community wildfire protection plans.

The rural fire assistance program helps communities through mitigation and prevention, education, and outreach. Fire



prevention and education teams address reductions in wildland fire threats by taking actions before a fire starts. The teams consult with local residents to help reduce the number of human-caused fires and implement fire prevention and education programs. The BLM facilitates FIREWISE and other workshops to help people live safely in the interface areas.

### **Factors Influencing Performance**

Control of unplanned and unwanted fire is dependent upon weather and the number of fires starting at the same time. Fires starting across a region of the West at the same time draw down available resources, which means fewer firefighters and less equipment are available to perform initial attack work. Dry lightning storms and high winds greatly contribute to the number of fire starts.

Land sales and acquisitions are dependent upon public demand and funds available for this purpose. Lands offered for sale under the Southern Nevada Public Land Management Act are also dependent upon public demand. Parcels are nominated for sale by members of the public or local government.

### **2008 Performance Forecast**

In FY 2008, the planning staff expects to begin work on 11 new plans and will finish 19 plans. Staff will continue the process of reviewing RMPs and monitoring reports

to determine the effectiveness of decisions contained with the RMPs.

Though all targets were met in these categories, the BLM strives for program improvements across all programs. As an example, Alaska BLM is developing a process for handling requests for reinstatement of allotments in conflict with Alaska Native Claims Settlement Act villages scheduled for final patent closure. In FY 2008, the BLM plans to patent 3.0 million acres to the State of Alaska and 1.5 million acres to Alaskan Native Corporations.

Two competitive auctions are scheduled for Southern Nevada Public Land Management Act land sales in FY 2008. It is expected that round 8 project proposals totaling \$82 million will be approved by the Secretary in the second quarter of FY 2008. Round 9 recommendations will be forwarded to the Secretary for approval during the fourth quarter of FY 2008, thus making funds available at the beginning of FY 2009.

The wildfire fuels program will continue to treat acres in the wildland-urban interface areas. The BLM will treat 150,000 acres, 79 percent of the planned wildland-urban interface acres identified in community wildland protection plans. The wildfire fuels program plans to finish the development of a decision support model to assist in the allocation of fuels funding to meet national priorities. Fire staffs will be establishing training programs for local residents through the Ready Reserve program to increase the cadre of firefighters available.



## Management Excellence

Manage the Bureau to be highly skilled, accountable, modern, functionally integrated, citizen-centered, and result-oriented

The management excellence strategic goal differs from the other strategic goals in that it is a means goal while all of the others are mission goals. Management excellence looks to provide the sound business infrastructure that will facilitate or provide the means to accomplish the mission goals. In addition, because the work associated with this goal is largely of an indirect nature, there is no cost attributed to the performance measures associated with management excellence. The cost of the ABC/M work activities associated with management excellence activities is allocated to the work activities of the mission goals as a component of the full cost of accomplishing the mission work.

The management excellence strategic goal helps the BLM focus on ways we can

overcome our challenges by taking new approaches to workforce planning, improving financial and budget management tools, using more objective and comprehensive approaches to facility and asset management, improving information technology to enhance efficiency and consistency, and actively encouraging managers and employees to identify better ways to achieve desired results. It reminds us of the need to maintain and enhance program results, make wise management choices within the context of constrained resources, and work smarter.

There are 33 performance measures identified under the management excellence strategic goal. The performance targets established for these measures by the Department of the Interior are FY 2012 targets. The BLM does not report on two of the measures. Of the 31 remaining measures, the BLM met or exceeded performance expectations for FY 2007. Performance results for all of the management excellence measures are shown in the “Performance Report” section on the accompanying CD.





## Financial Highlights

The BLM received, for the 13th consecutive year, an unqualified audit opinion on its financial statements. The statements are audited by the independent accounting firm of KPMG LLP. Preparing the financial statements is part of the BLM's goal to improve financial management and to provide accurate and reliable information that is useful for assessing financial performance and allocating resources. BLM management is responsible for the integrity and objectivity of the financial information presented in the financial statements.

The financial statements and financial data presented in this report have been prepared from the accounting records of the BLM in conformity with U.S. generally accepted accounting principles (GAAP). The GAAP for Federal entities are the standards prescribed by the Federal Accounting Standards Advisory Board (FASAB).

The financial statements, the opinion presented as a result of independent audit, and other disclosures provided in this report provide assurance to the public that the information is accurate, reliable, and useful for decisionmaking.

Office of Management and Budget (OMB) Circular A-136, Financial Reporting Requirements, "establishes a central point of reference for all Federal financial reporting guidance for Executive Branch departments, agencies, and entities required to submit audited financial statements, interim financial statements, and Performance and Accountability Reports (PAR)...." A change in FY 2007 OMB Circular A-136 reporting requirements, mandating that "parent" agencies also report the proprietary activity of their "child" agencies in their financial statements, resulted in significant increases to most of the BLM's account balances. In this context, the "parent" refers to the agency that has provided funds to another Federal agency through appropriation transfer authority, and the "child" refers to the agency that has received funding from the "parent" agency under this authority.

## Overview of Financial Position

**Assets.** The Consolidated Balance Sheet shows the BLM had total assets of \$4.5 billion at the end of FY 2007. This represents an increase of \$172.9 million (4 percent) over the previous year's total assets of \$4.3 billion. Fund Balance with Treasury (FBWT) increased by \$254.3 million and is offset by a decrease of \$152.4 million in Investments. The decrease is due to a combination of fewer Southern Nevada Public Land Management Act (SNPLMA) land sales in the Las Vegas, Nevada, region and increased spending for SNPLMA approved projects. The overall increase in total assets is a result of the change in OMB Circular A-136 reporting requirements for child agencies. The BLM's assets reflected in the Consolidated Balance Sheet are summarized in table 6 (dollars in thousands).

**Table 6.** BLM's Assets

	2007	2006
Fund Balance with Treasury	\$1,454,784	\$1,200,472
Investments, Net	2,209,168	2,361,520
Inventory and Related Property	253,918	279,425
General Property, Plant, and Equipment, Net	479,284	410,097
Other Assets	54,793	27,531
<b>Total Assets</b>	<b>\$4,451,947</b>	<b>\$4,279,045</b>

Investments; Fund Balance with Treasury; and General Property, Plant, and Equipment comprise approximately 93 percent of BLM's total assets. Investments consist of non-marketable market-based Treasury securities that include U.S. Treasury Bills. General Property, Plant, and Equipment are composed of construction in progress, land, buildings, structures and facilities, equipment and vehicles, and internal use software. Buildings used in BLM's operations and equipment (e.g., vehicles such as fire trucks in BLM's Working Capital Fund) make up 64 percent of BLM's property.

**Liabilities.** The Consolidated Balance Sheet shows the BLM had total liabilities of \$1.6 billion at the end of FY 2007. This represents an increase of \$6.9 million (.4 percent) over the previous year's total liabilities of \$1.6 billion. The decrease is a result of BLM recording the payment to Treasury for interest on additional borrowings, which is a liability of the Helium Fund used to construct a pipeline from Amarillo, Texas, to Satanta, Kansas. The payment amount varies between fiscal years based on the amount of crude helium sold. The overall increase is a combination of the change in OMB Circular A-136 reporting requirements for child agencies, an additional SNPLMA accounts payable accrual, and a larger accrual for lease sales that occurred in the fourth quarter of FY 2007. The BLM's liabilities reflected in the Consolidated Balance Sheet are summarized in table 7 (dollars in thousands).

Accounts Payable, Debt to Treasury, Undistributed Collections, Secure Rural Schools Act Payable (SRSA), and Deposit Funds comprise approximately 83 percent of BLM's total liabilities. Undistributed Collections is the net difference between "available collections" (e.g., timber sales, lease sales, etc.) and "distributed collections" (e.g., percentages of collections that are distributed

to various states). The Secure Rural Schools and Community Self-Determination Act of 2000 was enacted to support rural schools and maintain roads in rural communities affected by a decline in revenue from timber. The Deposits Funds are monies collected for such items as mining claim fees that are held until further classification is determined. Other liabilities (for the purposes of table 7) include payables Due to the Treasury Judgment Fund, Deferred Revenue, Environmental and Disposal Liabilities, and Contingent Liabilities.

**Ending Net Position.** The BLM's Net Position at the end of FY 2007, disclosed on the Consolidated Balance Sheet and the Consolidated Statement of Changes in Net Position, was \$2.9 billion, a \$166.0 million (6 percent) increase from the previous fiscal year. The Net Position of the BLM consists of two components: (1) Unexpended Appropriations of \$554.5 million and (2) Cumulative Results of Operations of \$2.3 billion. The growth in both components is primarily due to the change in OMB Circular A-136 reporting requirements for child agencies. In addition, Congress did not authorize an appropriation bill, and a joint resolution was used during FY 2007. As a result, there were no rescissions. The elements that make up the Statement of Changes in Net Position are presented in table 8 (dollars in thousands).

**Table 7.** BLM's Liabilities

	2007	2006
Accounts Payable	\$176,092	\$84,740
Debt to Treasury	764,204	914,204
Accrued Payroll and Benefits	43,793	33,612
Custodial Liabilities	32,436	441
Undistributed Collections	110,490	108,989
Federal Employee Benefits - FECA Actuarial Liability	92,378	94,915
Secure Rural Schools Act Payable	110,213	106,719
Deposit Funds	152,836	131,401
Unfunded Payroll Liabilities	81,448	79,777
Other Liabilities	23,538	25,771
<b>Total Liabilities</b>	<b>\$1,587,428</b>	<b>\$1,580,569</b>

## Results of Operations

The results of operations are reported on the Consolidated Statement of Net Cost and the Consolidated Statement of Changes in Net Position. The Consolidated Statement of Net Cost presents the BLM's gross and net cost for its strategic goals. The net cost of operations is the gross (i.e., total) cost incurred by the BLM, less any exchange (i.e., earned) revenue. The Consolidated Statement of Net Cost categorizes costs and revenues by strategic goal and responsibility segment. A responsibility segment is the component that carries out a mission or major line of activity. The presentation of program results by strategic objectives and



**Table 8.** BLM's Ending Net Position

	2007	2006
<b>Unexpended Appropriations</b>		
Beginning Balance, as adjusted	\$ 598,148	\$ 469,768
Net change in Budgetary Financing Sources	(43,691)	34,809
<b>Ending Balance - Unexpended Appropriations</b>	<b>\$ 554,457</b>	<b>\$504,577</b>
<b>Cumulative Results of Operations</b>		
Beginning Balance, as adjusted	\$2,262,111	\$1,310,058
Budgetary Financing Sources	2,006,694	1,564,500
Other Financing Sources	88,730	78,346
Net Cost of Operations	(2,047,473)	(759,005)
<b>Ending Balance - Cumulative Results of Operations</b>	<b>\$2,310,062</b>	<b>\$2,193,899</b>

strategic goals is based on the Department's current strategic plan established pursuant to the Government Performance and Results Act of 1993.

The BLM's total net cost of operations for FY 2007, after intrabureau eliminations, was \$2.0 billion, a \$1.3 billion (170 percent) increase from the previous fiscal year's net cost of \$759.0 million. The overall increase in net cost is a result of the change in OMB Circular A-136 reporting requirements for child agencies, with an offsetting decrease in revenue as a result of fewer SNPLMA land sales in the Las Vegas, Nevada, region.

The Consolidated Statement of Net Cost is divided into the following four major program segments: resource protection; resource use; recreation; and serving communities. Serving communities represents 75 percent of the BLM's net cost of operations. The net cost of operations for the remaining segments varies from 0.62 percent to 15 percent, which is represented in table 9 (dollars in thousands).

**Table 9.** BLM's Net Costs

	2007	2006
<b>Resource Protection</b>		
Expense	\$ 500,649	\$ 345,807
Revenue	189,168	846,960
<b>Net Cost/(Revenue)</b>	<b>311,481</b>	<b>(501,153)</b>
<b>Resource Use</b>		
Expense	317,303	383,135
Revenue	304,540	299,518
<b>Net Cost</b>	<b>12,763</b>	<b>83,617</b>
<b>Recreation</b>		
Expense	206,858	144,800
Revenue	25,127	27,749
<b>Net Cost</b>	<b>181,731</b>	<b>117,051</b>
<b>Serving Communities</b>		
Expense	1,604,188	1,226,209
Revenue	62,690	166,719
<b>Net Cost</b>	<b>1,541,498</b>	<b>1,059,490</b>
<b>Total</b>		
Total Expense	2,628,998	2,099,951
Total Revenue	581,525	1,340,946
<b>Net Cost</b>	<b>\$2,047,473</b>	<b>\$ 759,005</b>

## Resources

### Budgetary Resources

BLM receives the majority of its funding from general Government funds administered by the U.S. Treasury and appropriated for BLM’s use by Congress. These resources consist of the balance at the beginning of the year, appropriations received during the year, and spending authority from offsetting collections, as well as other sources of budgetary resources.

The Combined Statement of Budgetary Resources provides information on how budgetary resources were made available to the BLM for the year and their status at fiscal year-end. For FY 2007, the BLM had total budgetary resources of \$4.6 billion, a decrease of \$132.8 million (3 percent) over the previous year’s total budgetary resources of \$4.8 billion. The overall decrease is a result of an increase in unobligated beginning balance offset by a decrease in SNPLMA land sales in the Las Vegas, Nevada, region. Table 10 provides the budgetary resources by sources of funds and the status of budgetary resources at FY 2007 year-end (dollars in thousands).

### Custodial Activity

In accordance with Federal accounting standards, receipts from mineral leasing

revenue are presented in the BLM’s Statement of Custodial Activity since the collections are considered to be revenue of the Federal Government as a whole. Mineral leasing revenue for rents and bonuses was \$254.7 million and \$241.1 million as of September 30, 2007 and 2006, respectively. The increase was due to a larger accrual of monies waiting to be sent to Minerals Management Service as a result of later lease sales in FY 2007. Table 11 illustrates the disposition of mineral leasing revenue for FY 2007 (dollars in thousands).

### Heritage Assets and Stewardship Land Information

The BLM has been entrusted with stewardship responsibilities for the public lands and the rich resources they contain. These public lands are some of the most ecologically and culturally diverse and scientifically important lands belonging to the people of the United States. They are valued for their environmental resources; their wildlife habitats; their vast recreational and scenic values; the cultural, historical, and paleontological resources they contain; and the resource commodities such as timber, minerals, and vegetation for grazing that provide revenue to the Federal Government, states, and counties. Of particular note are natural and cultural heritage assets such as national monuments; natural conservation

**Table 10.** BLM’s Budgetary Resources

	2007	2006
<b>Budgetary Resources:</b>		
Unobligated Balance, Beginning of Year	\$1,915,549	\$1,224,088
Appropriations Received	2,277,293	3,031,047
Spending Authority from Offsetting Collections	323,993	333,522
Other Sources of Budgetary Resources	128,701	189,696
<b>Total Budgetary Resources</b>	<b>\$4,645,536</b>	<b>\$4,778,353</b>
<b>Status of Budgetary Resources:</b>		
Total Obligations Incurred	\$3,315,239	\$2,862,804
Unobligated Balance	1,330,297	1,915,549
<b>Total Status of Budgetary Resources</b>	<b>\$4,645,536</b>	<b>\$4,778,353</b>

**Table 11.** BLM's Disposition of Mineral Leasing Revenue

	2007	2006
<b>Disposition of Mineral Leasing Revenue:</b>		
Minerals Management Service	\$218,513	\$292,714
Bureau of Reclamation	1,688	2,747
Department of Treasury	422	679
Distribution to States	2,108	2,135
Change in Untransferred Revenue	31,995	(57,142)
<b>Total Disposition of Revenue</b>	<b>\$254,726</b>	<b>\$241,133</b>

areas; wilderness areas; national wild and scenic rivers; national natural landmarks; national historic, scenic, and recreation trails; and national historic landmarks, as well as millions of natural, paleontological, and historical objects collected from the public lands that reside in both Federal and non-Federal facilities.

#### Limitations of the Financial Statements

Managers prepare the accompanying financial statements to report the financial position and results of operations for the

BLM pursuant to the requirements of 31 U.S.C. 3515 (b). While these statements have been prepared from the books and records of the BLM in accordance with U.S. GAAP for Federal entities and formats prescribed in OMB Circular A-136, *Financial Reporting Requirements*, these statements are in addition to the financial reports used to monitor and control the budgetary resources that are prepared from the same books and records.

These statements should be read with the understanding that they are for a component of the U.S. Government, a sovereign entity.





## Systems, Controls, and Legal Compliance

### Federal Manager's Financial Integrity Act

As required by the Federal Managers' Financial Integrity Act (FMFIA) of 1982, the BLM completed an assessment of its managerial, administrative, and financial control systems. The objectives of this assessment were to ensure that:

- Programs achieved their intended results;
- Resources were used in accordance with the agency's mission;
- Resources were protected from waste, fraud, and mismanagement;
- Laws and regulations were followed; and
- Reliable and timely information was maintained, reported, and used for decisionmaking.

In performing its assessment, the BLM management relied on its knowledge and experience gained from the daily operations of Bureau programs and systems of accounting and administrative controls. The BLM's assessment was based on information obtained as of September 30, 2007, from sources such as internal management control assessments, Office of Inspector General (OIG) and Government Accountability Office (GAO) audits, KPMG's audit of the Bureau's financial statements, various program evaluations/studies, and performance plans and reports.

Based on all of the above, as well as the results of the BLM's independent financial statement audit, the BLM concludes that:

- The BLM's systems of management, administrative, and financial controls provide reasonable assurance that the objectives of the FMFIA have been achieved except for the two areas of material weakness associated with BLM's accounts payable methodology and its treatment of allocation transfer (child) amounts in the Statement of Changes in Net Position and the Reconciliation of Net Cost to Budget;
- The BLM is in compliance with the U.S. Government Standard General Ledger at the transaction level, and with Federal accounting standards as required by the Federal Financial Management Improvement Act (FFMIA); and
- The BLM's information technology systems provide reasonable assurance that the objectives of OMB's Circulars A-127, "Financial Systems," and A-130, "Management of Federal Information Resources," have been achieved.

A copy of the statement of assurance can be seen in figure 73.

### FMFIA Annual Assurance Process

Managers within the BLM review risks within their programs and establish appropriate control mechanisms. Tables 12–14 below outline the specific management control assessments and audits conducted during FY 2007 that the Bureau relied on for its annual assurance statement.

**Table 12.** Assessments and Reviews Conducted by the BLM

Assessment/Review	Scope	Date Completed	Results
General Management	Alaska	August 2007	No material weaknesses identified.
General Management	California	August 2007	No material weaknesses identified.
Law Enforcement Policy Compliance Inspection	Oregon	August 2007	No material weaknesses identified.
Fire Preparedness Reviews	Colorado	July 2007	No material weaknesses identified.
Fire Preparedness Reviews	Montana	June 2007	No material weaknesses identified.
Fire Preparedness Reviews	Nevada	July 2007	No material weaknesses identified.
Fuels	Alaska	August 2007	No material weaknesses identified.
Fuels	Wyoming	July 2007	No material weaknesses identified.
Fuels	Idaho	June 2007	No material weaknesses identified.
National Conservation Area Visitor Centers	Nevada - Red Rock	August 2007	No material weaknesses identified.
Challenge Cost Share	Idaho	July 2007	No material weaknesses identified.
Invasive & Noxious Weeds	Oregon & Washington	August 2007	No material weaknesses identified.
NEPA Compliance	Idaho	August 2007	No material weaknesses identified.
NEPA Compliance	Montana	August 2007	No material weaknesses identified.
Range	Oregon	April 2007	No material weaknesses identified.
Range	California	April 2007	No material weaknesses identified.
Stewardship Contracting	Arizona	May 2007	No material weaknesses identified.
Stewardship Contracting	Nevada	July 2007	No material weaknesses identified.
Stewardship Contracting	Montana	July 2007	No material weaknesses identified.
Stewardship Contracting	Alaska	July 2007	No material weaknesses identified.
Recreation Fees	Eastern States	August 2007	No material weaknesses identified.
Fluid Minerals	Eastern States	July 2007	No material weaknesses identified.
Bridges	Bureauwide	August 2007	No material weaknesses identified.
Freedom of Information Act, Privacy Act, Data Management	California	August 2007	No material weaknesses identified.
Freedom of Information Act, Privacy Act, Data Management	Eastern States	August 2007	No material weaknesses identified.
Freedom of Information Act, Privacy Act, Data Management	Oregon	August 2007	No material weaknesses identified.
Safety	Montana	June 2007	No material weaknesses identified.
Safety	Idaho	May 2007	No material weaknesses identified.
Safety	Eastern States	March 2007	No material weaknesses identified.
Personnel	National Training Center (NTC)	March 2007	No material weaknesses identified.
Personnel	Alaska	August 2007	No material weaknesses identified.
Personnel	California	April 2007	No material weaknesses identified.

**Table 12.** Assessments and Reviews Conducted by the BLM (continued)

Assessment/Review	Scope	Date Completed	Results
Personnel	Idaho	June 2007	No material weaknesses identified.
Acquisition Management & Financial Assistance	Arizona	June 2007	No material weaknesses identified.
Acquisition Management & Financial Assistance	Idaho	July 2007	No material weaknesses identified.
Acquisition Management & Financial Assistance	NTC	June 2007	No material weaknesses identified.
Property & Asset Management	Eastern States	June 2007	No material weaknesses identified.
Property & Asset Management	Idaho	July 2007	No material weaknesses identified.
Property & Asset Management	Headquarters Office	July 2006	No material weaknesses identified.
Property & Asset Management	National Interagency Fire Center (NIFC)	July 2007	No material weaknesses identified.
Property & Asset Management	National Business Center	July 2007	No material weaknesses identified.

**Table 13.** Audits Conducted by the Government Accountability Office and the Office of the Inspector General—Closed in 2007

Audit	Scope	Title	Date Issued	Results
W-IN-BLM-009-2003	Oil & Gas	Permitting Process	February 2004	The BLM has implemented and closed all recommendations associated with this audit.

**Table 14.** Audits Conducted by the Government Accountability Office and the Office of the Inspector General—Open at the End of FY 2007

Audit	Scope	Title	Date Issued	Results
99-I-808	Museum Property	Cultural Museum Management	September 1999	Two recommendations remain open.
C-IN-BLM-13-2005 (Flash Report)	Hazardous Materials	Public Safety Issues at The Saginaw Hill Property	March 2005	One of the two recommendations associated with this audit was closed in FY 2007. The remaining recommendation is scheduled for completion in FY 2011.
96-I-1267	Oil & Gas	Inspection and Enforcement Program and Selected Related Activities	September 1996	Two of three recommendations were implemented and closed during FY 2007. The BLM expects the one remaining recommendation to be implemented and closed in FY 2008.
C-IN-BLM-13-2005 (Flash Report)	Hazardous Materials	Public Safety Issues at The Saginaw Hill Property	March 2005	One of two recommendations was implemented during FY 2007. The open recommendation will be closed before the due date.



**Table 14.** Audits Conducted by the Government Accountability Office and the Office of the Inspector General—  
Open at the End of FY 2007 (continued)

Audit	Scope	Title	Date Issued	Results
W-IN-MOA-008-2005	Planning and Recreation	Private Use of Public Land	April 2007	The BLM will implement the one recommendation related to the BLM during FY 2008. The BLM will develop a process that ensures field offices perform appropriate National Environmental Policy Act reviews (including review documentation) prior to the issuance of special-use and recreation permits.
W-FL-BLM-0007-2004	Lands	Proposed Changes to Management of SNPLMA Costs May Improve Fund Accountability	April 2007	The BLM will implement the report's three open recommendations during FY 2008.
GAO-05-418	Oil & Gas	Increased Permitting Activity Has Lessened BLM's Ability to Meet Its Environmental Protection Responsibilities	June 2005	The BLM has implemented and closed 3 of the 4 recommendations. The one remaining recommendation has been implemented and will be closed in FY 2008.

Management's assurance statements (figures 73 and 74) tell the public that an agency's programs are managed responsibly. The assurance statement informs the public that funds are being used for their intended purpose and financial records are maintained in accordance with established standards. The assurance statement process ensures that the data and records maintained by the BLM are accurate and secure. The statement shows that there is a systematic process for reviewing program effectiveness and efficiency. When problems are identified, managers are implementing actions to correct them. In summary, the assurance statement demonstrates the BLM's commitment to being responsible stewards of the public trust and continuing to improve operations.

Summary of FY 2007 FMFIA  
Material Weaknesses

Two material weaknesses in internal controls were reported in the FY 2007 audit of BLM's financial statements. One identified weakness found that BLM's accounts payable methodology does not properly consider all assumptions and changes in its operations. The second identified weakness would cause a material

misstatement in the Statement of Changes in Net Position and the Reconciliation of Net Cost to Budget. Material weaknesses are the most serious type of potential audit findings. A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that program objectives will not be met, or in the case of financial reporting, that a material misstatement of financial statements will not be prevented or detected.

Appendix A, Internal Control  
over Financial Reporting

Appendix A of OMB Circular A-123 emphasizes management's responsibility for establishing and maintaining effective internal control over financial reporting. Appendix A requires agencies to maintain documentation of the controls in place and of the assessment process and methodology used to support its assertion as to the effectiveness of internal control over financial reporting. Agencies are also required to test the controls in place as part of the overall FMFIA assessment process. The assurance statement related to the assessment performed under Appendix A acts as a subset of the Overall

Figure 73. Fiscal Year 2007 Annual Assurance Statement



United States Department of the Interior  
BUREAU OF LAND MANAGEMENT  
Washington, D.C. 20240  
<http://www.blm.gov>



In Reply Refer To:  
1245 (830)

NOV 01 2007

Memorandum

To: Associate Deputy Secretary  
Attention: Director, Office of Financial Management

Through: C. Stephen Allred *CSA* NOV - 6 2007  
Assistant Secretary - Land and Minerals Management

From: *Far* James L. Caswell *James R. Caswell*  
Director, Bureau of Land Management

Subject: Updated Fiscal Year (FY) 2007 Annual Assurance Statement on Internal Control

The purpose of this memorandum is to submit an updated Bureau of Land Management (BLM) FY 2007 Annual Assurance Statement. A new Assurance Statement is needed because two material weaknesses in financial reporting have been identified since the original FY 2007 Assurance Statement was prepared and submitted. Based on these material weaknesses, the BLM is updating its statement of assurance over financial reporting to a qualified status.

The BLM is responsible for establishing and maintaining effective internal control and financial management systems that meet the objectives of the Federal Managers' Financial Integrity Act. The BLM implemented its internal controls during the year and has assessed the results of those controls. The assessment focuses on the effectiveness and efficiency of operations and compliance with applicable laws and regulations in accordance with Office of Management and Budget (OMB) Circular A-123, *Management's Responsibility for Internal Control* (December 21, 2004). The objectives of the internal controls and our assessment of the controls were to ensure that:

- o Programs achieve their intended results;
- o Resources are used consistent with the agency mission;
- o Resources are protected from waste, fraud, and mismanagement;
- o Laws and regulations are followed; and
- o Reliable and timely information is maintained, reported, and used for decisionmaking.

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**Figure 73.** Fiscal Year 2007 Annual Assurance Statement (*continued*)

In performing this assessment, the BLM relied on:

- Knowledge and experience managers have gained from daily program operations;
- Accounting systems and administrative controls;
- Information obtained from internal control assessments and program evaluation reports;
- Office of Inspector General (OIG) and Government Accountability Office (GAO) audits; and
- Audits of financial statements.

Attached is a list of specific BLM, OIG, and GAO audits and/or reviews that were relied upon to support the conclusions expressed herein.

Based on the results of the assessment, the BLM can provide reasonable assurance that its program internal controls, as of September 30, 2007, were operating effectively. Program internal controls addressed the effectiveness and efficiency of operations and compliance with applicable laws and regulations. No material weaknesses were found in the design or operation of program internal controls.

The BLM also conducted an assessment of the effectiveness of internal controls over financial reporting. The assessment addressed safeguarding assets and compliance with applicable laws and regulations in accordance with the requirements of Appendix A of OMB Circular A-123 and the Chief Financial Officers (CFO) Council's Implementation Guide, dated July 31, 2005, as implemented by the Department of the Interior (DOI). The assessment focused on the specific financial reports and the related financial statement line items identified by the DOI as material for the consolidated reports. A list of these reports and related line items is attached. Based on the results of the original assessment, the BLM provided reasonable assurance that its internal controls over the financial reports and related line items listed in the attachment were suitably designed and operating effectively as of June 30, 2007. However, a subsequent audit of FY 2007 financial records identified two material weaknesses in the financial internal controls. One weakness found that BLM's account payable methodology does not properly consider all assumptions and changes in its operations. The second weakness would cause a material misstatement in the Statement of Changes in Net Position, and the Reconciliation of Net Cost to Budget. As a result, the bureau is only able to provide a qualified statement of assurance for its internal control over financial reporting.

The BLM has corrected the financial reporting misstatements identified by the audit in the FY 2007 Financial Statements. The final audit reports on both material weaknesses are still pending. When final audit reports are received, corrective action plans for both material weaknesses will be developed, corrective steps implemented and the controls tested to ensure that these errors are not repeated.

We also conclude that the BLM's information technology systems generally comply with the requirements of the Federal Information Security Management Act and Appendix III of OMB Circular A-130, *Management of Federal Information Resources*.



**Figure 74.** 2007 Annual Assurance Statement on Internal Control over Financial Reporting



United States Department of the Interior

BUREAU OF LAND MANAGEMENT

Washington, D.C. 20240

<http://www.blm.gov>



In Reply Refer To:  
1307/1240 (800)

NOV 01 2007

Memorandum

To: Assistant Secretary, Policy, Management and Budget  
Attention: Director, Office of Financial Management

Through: C. Stephen Allred *CSA* NOV - 6 2007  
Assistant Secretary - Land and Minerals Management

From: *FW* James L. Caswell *James R. Caswell*  
Director, Bureau of Land Management

Subject: Fiscal Year (FY) 2007 Annual Assurance Statement on Internal Control over Financial Reporting

The Bureau of Land Management (BLM) is updating its June 30, 2007, statement of assurance on internal control over financial reporting based on the identification of two material weaknesses in financial reporting since the original Assurance Statement was prepared and submitted on August 1, 2007. The BLM is updating its statement of assurance over financial reporting to a qualified status.

In accordance with the Office of Management and Budget Circular A-123, "Management's Responsibility for Internal Control," dated December 21, 2004, and the Chief Financial Officers Council's Implementation Guide, dated July 31, 2005, as implemented by the Department of the Interior (DOI), the BLM completed an evaluation of the internal controls over financial reporting in effect as of June 30, 2007. This evaluation focused on the specific financial reports and related financial statement line items identified by the DOI as material to the consolidated DOI financial reports. These reports and related line items were provided with the August 1, 2007, statement of assurance.

The evaluation of the internal controls over financial reporting at the BLM included the following:

- Evaluation of the BLM's control environment, risk assessment process, information and communication processes, and monitoring process;
- Identification of the business processes that impact the assigned financial statement line items;
- Documentation of the business process and sub-processes;
- Identification of the control activities and the key controls in each business process;

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**Figure 74.** 2007 Annual Assurance Statement on Internal Control over Financial Reporting (*continued*)

2

- Assessment of the design and effectiveness of the controls to determine whether they would prevent or detect errors or misstatements in the selected financial statement line items;
- Testing the controls that are considered effectively designed and assessing whether they are functioning as designed; and
- Establishing Corrective Action Plans for the internal controls identified as not effective.

Based on the results of this evaluation, the BLM provided reasonable assurance that the internal controls over financial reporting for the line items listed in Appendix 1 (attached) were suitably designed and operating effectively as of June 30, 2006. No material weaknesses were found in the design or operation of the internal controls over financial reporting for these financial reports and related line items. However, a subsequent audit of FY 2007 financial records identified two material weaknesses in the financial internal controls. One weakness found that the BLM's account payable methodology does not properly consider all assumptions and changes in its operations. The second weakness would cause a material misstatement in the Statement of Changes in Net Position, and the Reconciliation of Net Cost to Budget. As a result, the BLM is only able to provide a qualified statement of assurance for its internal control over financial reporting.

The BLM has corrected the financial reporting misstatements identified by the audit in the FY 2007 Financial Statements. The final audit reports on both material weaknesses are still pending. When final audit reports are received, corrective action plans for both material weaknesses will be developed, corrective steps implemented and the controls tested to ensure that these errors are not repeated.

If you have any questions, please contact Michael A. Ferguson, Assistant Director, Business and Fiscal Resources, BLM, at 202-208-4864 or Betty Buxton, Chief Financial Officer, Business and Fiscal Resources, BLM, at 202-452-5181.

#### Attachment

Statement of Assurance reported pursuant to section 2 of the FMFIA legislation. Management's assurance statement as it relates to Appendix A is based on the controls in place as of June 30. The assurance statement is shown in figure 74. The BLM is pleased to report management's statement of assurance under Appendix A.

### Federal Financial Management Improvement Act

The purpose of the Federal Financial Management Improvement Act (FFMIA) of 1996 is to advance Federal financial management by ensuring that systems provide accurate, reliable, and timely

financial management information to managers and that they do so on a basis that is uniform across the Federal Government from year to year, consistently using applicable Federal accounting standards.

FFMIA requires the BLM to implement and maintain systems that comply substantially with Federal financial management system requirements, applicable Federal accounting standards, and the Standard General Ledger (SGL) at the transaction level. Auditors must report on BLM compliance with these three requirements as part of financial statement audit reports. The BLM Director must annually determine whether our financial management systems comply with FFMIA.

The BLM is in substantial compliance with Federal accounting standards. BLM's financial management systems are also in substantial compliance with Federal financial management systems requirements and the United States Government Standard General Ledger at the transaction level as required by the Federal Financial Management Improvement Act.

## Federal Information Security Management Act

The Federal Information Security Management Act requires Federal agencies to identify and provide security protections commensurate with the risk and magnitude of harm resulting from the loss of, misuse of, unauthorized access to, or modification of information collected or maintained by or on behalf of the agency. The BLM conducted a number of activities during 2007 to comply with the security mandates of the Federal Information Security Management Act.

**Certification and Accreditation:** Over the past year, the BLM has certified or recertified and accredited or reaccredited the following (reaccreditation is required at least every 3 years and more often if there are substantial changes to a system):

- Alaska Land Information System: March 6–8, 2007 (Final Report: March 29, 2007)
- BLM General Support System: March 2006–March 2007 (30 sites, including the National Interagency Fire Center and the National Centers in Denver, done January 16–26 (Final Report: March 16, 2007)
- Human Capital Management System: April 30–May 11 (Final Report: June 20, 2007)
- Interior Department Electronic Acquisition System: February 5–16, 2007 (Final Report: March 20, 2007)
- Joint Pipeline Office General Support System: December 4–8, 2006 (Final Report: January 8, 2007)

- Law Network: March 7–8, 2007 (Final Report: March 22, 2007)
- National Interagency Fire Center Enterprise Network: November 12–16, 2007 (Final Report: January 12, 2007)
- Collection and Billing System: February 5–16, 2007 (Final Report: March 29, 2007)

Evaluations of additional systems are presently in progress. The Federal Information Security Management Act also requires that we constantly reassess all of our systems to monitor their activities and to determine if there is a “trigger” to conduct a recertification and accreditation effort.

**Assistance and system test and visits and evaluations:** Thirty-nine evaluation or testing visits to state, center, or field offices were conducted in 2007.

**Continuous perimeter protection and active perimeter monitoring to prevent and/or address unauthorized activities:** Over the course of 2007, more than 162,644 separate potential attacks against the BLM's information technology network at our perimeter were blocked. The blocked attacks were accomplished using multiple intrusion prevention systems and firewalls.

**Active log and user account monitoring:** Monthly enterprisewide scans using Unused Account Ferret to detect and report user accounts that were not in compliance with guidance and policy were conducted.

**Continuous vulnerability scanning, monitoring, and remediation:** On a Bureauwide basis, all servers are scanned for vulnerability, scanning reports are analyzed, and remedial actions are implemented. Vulnerability scans against all Bureau workstations and laptops are also conducted to ensure compliance with policy and guidance. In addition, vulnerability scans are conducted against particularly at-risk systems and against systems under development or undergoing revision.

**Periodic systemwide password compliance monitoring:** Password

“cracking” attempts were conducted against the entire Bureau’s Active Directory passwords set to detect and eliminate weak or inappropriate passwords.

***Periodic selected detection and monitoring of systemwide protocols:***

Periodic detections against selected protocols operating inside the Bureau were conducted to sustain an appropriate security level and to detect and correct poor security configurations.

***Periodic web server scanning and monitoring:*** Periodic, unannounced, web-centric vulnerability scanning is conducted against selected high-risk BLM web servers as well as web servers and data under development or being revised to ensure compliance with security standards. In addition, the WebInspect vendor has been used to conduct announced and unannounced external web penetration tests and scans. All problems identified have been remediated.

***Active Oracle database password monitoring:*** Password attacks against all Oracle passwords to detect default or weak Oracle database passwords were conducted every 2 weeks.

***Selected database discovery scans:*** AppDetective was used to detect and check standard query language (SQL) databases across the Bureau.

***Continuous web traffic monitoring and response for inappropriate activities:*** We have collected, reviewed, detected, reported, and addressed more than 140 possible inappropriate activities to date this year from more than 228.96 million pages of web traffic logs.

***Independent third-party evaluations:***

- Deloitte and Touche conducted a complete evaluation of BLM’s network.
- Internet Security Systems conducted an evaluation (external penetration testing) at the Bureau’s request to validate that we had addressed all of the issues reported during a late 2005 Internet security systems penetration action.

- The Office of Inspector General conducted 2 assessments—one was an internal threat analysis and the second was a Bureauwide network assessment.
- KPMG conducted an assessment as part of a BLM financial statement audit.

In every case, the BLM has remediated weaknesses that were identified.

***Identification and remediation of computer security incidents:*** More than 79 computer security incidents were received, addressed, and reported.

***Multiple patch changes were identified, responded to, and managed:*** An average of 300 possible patches for all Bureau systems were received and evaluated monthly. This resulted in an average of five systemwide patching activities each month.

***Contingency Planning and Computer Security Incident Response Team event training and tests for the entire Bureau:*** A Bureauwide Contingency Planning and Computer Security Incident Response Team training/testing event was planned and conducted.

## **SAS 70 Review on BLM’s Financial Management System**

The Department of the Interior’s National Business Center completed the annual Statement of Auditing Standards No. 70 (SAS 70) for testing the system controls and financial accounting and reporting controls for the Federal Financial System (FFS). Performing the SAS 70 will keep the Department in compliance with OMB Circular A-123 Appendix A requirements. The Department is responsible for FFS system hosting and transactions processing.

KPMG LLP performed the audit activities for the system controls in place at the Department during the period of June 16, 2006, through June 15, 2007. The audit report includes an opinion from KPMG that states after reviewing the ten control objectives; they have uncovered five exceptions while testing the application controls. The exceptions were related to

controlling access to FFS programs and data. Department of the Interior management has concurred with these findings and taken appropriate action to mitigate the control weaknesses. With the corrective actions that have been put in place, the Department asserts that the application control environment for the FFS application provides minimal risk to customer data.

The Department of the Interior conducted an assessment of the financial accounting and reporting controls for the FFS during the period of October 1, 2006, through May 31, 2007. The Department performed the FY 2007 assessment in conformity with the requirements of the OMB Circular A-123, Appendix A, and according to the implementation guide for OMB Circular A-123 by the Chief Financial Officer's Council (CFOC). The Department identified, evaluated, and tested key controls to determine operating effectiveness and efficiency over financial transaction processing. Specifically, the Department performed the following activities:

- Evaluated internal controls at the entity level including five components established by the Government Accountability Office (GAO). These standards are control environment, risk assessment, control activities, information and communication, and monitoring.
- Evaluated internal controls at the process level by documenting and understanding key financial reporting processes, identifying key controls, and understanding and assessing the control design.
- Tested internal control at the transaction level based upon the guidelines established in the GAO "Financial Audit Manual" (FAM), including testing of all key controls and identification of control gaps and compensating controls.

The Department of the Interior results indicated that no material weaknesses or

significant deficiencies were uncovered and that processes and controls in place from October 1, 2006, through May 31, 2007, were adequate and effective to safeguard data from waste, fraud, abuse, and destruction.

## **Improper Payments Information Act of 2002**

Implementation of the Improper Payments Information Act is intended to improve the integrity of the Government's payments and the efficiency of its programs and activities. It requires agencies to:

- Review all programs and identify those that are susceptible to significant erroneous payments.
- Estimate the annual amount of erroneous payments in programs.
- Implement a plan to reduce erroneous payments.
- Report on progress of reducing erroneous payments.

In accordance with Department of the Interior policy, the BLM assesses its programs to ascertain the risk of significant erroneous payments on a 3-year cycle. In FY 2006, the BLM reassessed programs exceeding \$100 million in annual outlays. This assessment did not identify any "high" risk programs based on the criteria defined by OMB. In addition, none of the BLM's programs and activities required reporting to the President and the Congress or required a progress report on actions to reduce improper payments.

## **Scorecard on the President's Management Agenda**

The President's Management Agenda (PMA) is a strategy for improving the management of the Federal Government, focusing on areas of management weakness where improvements and the most progress can be made. Annually, the





















BLM is rated on the status of achieving specific measurable goals as well as the progress made toward achieving these goals. The six areas included in the PMA are budget and performance integration, improved financial performance, strategic management of human capital, competitive sourcing, expanded E-government, and real property asset management. The DOI has internal scorecards for three additional initiatives—transportation management, energy management, and environmental stewardship.

The BLM has achieved a “green” status rating in five of the nine areas—improved financial performance, strategic management of human capital, competitive sourcing, expanded E-government, and energy management. Because we continue to improve in these five areas, we are also rated

“green” for progress. In three of the other four areas, the BLM is rated “yellow” because we have yet to meet all of the Office of Management and Budget or DOI standards in those areas. However, we continue to make good progress in those areas as evidenced by the “green” progress rating. The BLM is rated red in one of the areas—environmental stewardship. The reason for the red rating is that the BLM did not complete implementation of “Environmental Management Systems” (EMS) at appropriate organization units. Currently, the BLM is piloting EMS at two facilities and will evaluate the use of EMS at additional facilities upon completion of the pilots, therefore we have a green progress rating in this area as well. BLM’s overall PMA status in our journey toward continuous improvement is shown in table 15.

**Table 15.** President’s Management Agenda Scorecard

President’s Management Agenda Item	Current Score		Comments
	Status	Progress	
Budget and Performance Integration			<ul style="list-style-type: none"> <li>• Not all OMB standards met.</li> <li>• BLM continues to improve.</li> </ul>
Improved Financial Performance			<ul style="list-style-type: none"> <li>• All OMB standards met.</li> <li>• BLM continues to improve.</li> </ul>
Strategic Management of Human Capital			<ul style="list-style-type: none"> <li>• All OMB standards met.</li> <li>• BLM continues to improve.</li> </ul>
Competitive Sourcing			<ul style="list-style-type: none"> <li>• All OMB standards met.</li> <li>• BLM continues to improve.</li> </ul>
Expanded E-Government			<ul style="list-style-type: none"> <li>• All OMB standards met.</li> <li>• BLM continues to improve.</li> </ul>
Real Property Asset Management			<ul style="list-style-type: none"> <li>• Not all OMB standards met.</li> <li>• BLM continues to improve.</li> </ul>
Transportation Management			<ul style="list-style-type: none"> <li>• Not all DOI standards met.</li> <li>• BLM continues to improve.</li> </ul>
Energy Management			<ul style="list-style-type: none"> <li>• All DOI standards met.</li> <li>• BLM continues to improve.</li> </ul>
Environmental Stewardship			<ul style="list-style-type: none"> <li>• Not all DOI standards met.</li> <li>• BLM continues to improve.</li> </ul>

## Inspector General's Top Management Challenges

The Office of Inspector General (OIG) issues an annual report on the Department of the Interior's (DOI's) top management challenges to provide a forward-looking assessment for the coming fiscal year. The purpose of the report is to aid Interior agencies in focusing attention on and mapping work strategies for the most serious management and performance issues facing the Department. The challenges presented reflect what the OIG considers to be significant impediments to the Department's efforts to promote economy, efficiency, and effectiveness in its agencies' management and operations. The challenges included in the OIG's list vary each year to reflect the most relevant issues and provide the most useful and effective oversight to Interior agencies.

The BLM recognizes that management challenges are not issues that are easily solved.

In many cases they require investments or upgrades to technology or substantial changes in long-standing procedures or program activities. To completely address a management challenge may take more than 1 fiscal year. Since the OIG may refine the scope of the management challenge based on information that may become available during the year, it can be difficult to provide a context showing how far along the BLM is in resolving a particular challenge. To provide perspective on the BLM's progress, we have provided a self-assessment showing the achievements toward resolving the challenge as currently defined. The result is displayed via the "progress indicator" icon at the beginning of each challenge discussion. The BLM hopes that this approach will provide perspective toward gauging the Bureau's progress in resolving each management challenge. Figure 75 provides the full content of the Inspector General's 2007 assessment.



Figure 75. Major Management and Performance Challenges



## United States Department of the Interior

OFFICE OF INSPECTOR GENERAL  
Washington, DC 20240

Memorandum

OCT 03 2007

To: Dirk Kempthorne  
Secretary

From: Earl E. Devaney  
Inspector General

Subject: Inspector General's Statement Summarizing the Major Management and Performance Challenges Facing the Department of the Interior

In accordance with the Reports Consolidation Act of 2000, we are submitting the attached summaries of issues we have determined to be the most significant management and performance challenges facing the Department of the Interior (Department), to be included in the Department's Performance and Accountability Report for fiscal year 2007. The challenges listed reflect what the Office of Inspector General considers to be significant impediments to the Department's efforts to promote economy, efficiency, and effectiveness in its agencies' management and operations.

The top challenges are as follows:

- Financial Management
- Information Technology
- Health, Safety, and Emergency Management
- Maintenance of Facilities
- Responsibility to Indians and Insular Areas
- Resource Protection and Restoration
- Revenue Collections
- Procurement, Contracts, and Grants

These issues are important to the Department's mission, involve large expenditures, require significant management improvements, or involve significant fiduciary relationships. We believe the Department could enhance and improve its overall operational effectiveness and efficiency by developing strategies to identify and correct deficiencies, especially in activities that cut across bureau and program lines.

Attachment



**Figure 75.** Major Management and Performance Challenges *(continued)*

Attachment

## **Office of Inspector General Update of the Top Management Challenges for the Department of the Interior**

### **I. Financial Management**

Sound financial management is critical to providing accurate financial information, managing for results, and ensuring operational integrity. The independent public accounting firm of KPMG LLP, under a contract monitored by the Office of Inspector General (OIG), rendered an unqualified opinion on the Department of the Interior's (Department) consolidated financial statements for fiscal year 2006. However, KPMG also identified one material weakness and seven significant deficiencies in internal controls, one deficiency in internal control over Required Supplementary Information, and three instances of noncompliance with laws or regulations.

The Department has several initiatives aimed at improving financial management including the Financial and Business Management System (FBMS) and Performance and Budget Integration. Although these initiatives should upgrade financial management in the future, they are placing increased demands on already stretched financial resources.

#### **Financial and Business Management System**

The implementation of FBMS continues to be a major management challenge in the Department. FBMS will replace a variety of outdated, stand-alone, mainframe-based systems that are costly to operate and difficult to secure. The current systems do not provide timely financial and performance information, and do not comply with financial system standards. About 160 systems will be affected by this implementation.

The Department began implementing FBMS in fiscal year 2005 and had planned to have the system fully implemented by the end of fiscal year 2008. However, after the Department removed the original contractor from the project in September 2005 and contracted with a new system integrator in February 2006, the Department revised their implementation date from fiscal year 2008 to fiscal year 2012.

The Minerals Management Service (MMS) and the Office of Surface Mining and Reclamation are currently using the core financial module of the system, however, operational problems plague the system. These problems have already resulted in delays in implementing the core financial module at the National Business Center's (NBC) GovWorks.

Also, funding for the next fiscal year may not be adequate for the next phase of deployment. In prior years, the project received funds from GovWorks. The anticipated



**Figure 75.** Major Management and Performance Challenges *(continued)*

level of funds may not be available during the next fiscal year due to decreased contracting activity for GovWorks on external contracts. (See Procurement, Contracts and Grants section). In addition, Congress has proposed reductions in the amount of funds requested by the Department for the project. Lack of adequate funding could result in a reduction in the scope of work for the next fiscal year and may extend the project completion date beyond fiscal year 2012.

### **Budget and Performance Integration**

Better budget and performance integration is essential to results-oriented management and efficient allocation of scarce resources among competing needs. The variety and number of programs within the Department makes budget and performance integration particularly difficult.

From 2002 to 2007, the Office of Management and Budget (OMB) assessed 72 of the Department's programs, reflecting almost \$10 billion in annual budget authority. OMB rated only 8 programs (11 percent) of the 72 as "Effective." OMB rated 16 programs (22 percent) as "Results Not Demonstrated" because OMB was unable to determine whether these programs were performing satisfactorily due to the lack of reliable performance information. These 16 programs reflected approximately a quarter of the Department's assessed spending. The Department needs to continue to focus on developing useful performance measures.

## **2. Information Technology**

The Department continues to strive towards a comprehensive Information Technology (IT) Security Program which complies with the Federal Information Security Management Act of 2002. However, weaknesses in information security policies and practices continue to threaten the confidentiality, integrity and availability of information and information systems used to support the Department's missions.

Our 2007 Trusted Insider Threat Evaluations of networks managed by the Bureau of Land Management (BLM), MMS, and NBC all demonstrated the Department remains vulnerable to an inside attacker. Additionally, the evaluations revealed ineffective internal intrusion detection and prevention capabilities.

During the year, we completed both vulnerability assessments and external penetration testing on a sample of the Department information resources. Our technical testing at BLM, Bureau of Reclamation (BOR), Office of the Secretary, and the U.S. Geological Survey (USGS) disclosed vulnerabilities which could potentially be exploited. The Enterprise Services Network infrastructure has improved the Department's perimeter security. However, application security at the bureau level continues to present attackers with targets of opportunity. We determined that the Department has not fully implemented continuous monitoring and system testing, which is an essential part of the federal Certification and Accreditation guidance.

**Figure 75.** Major Management and Performance Challenges *(continued)*

We completed evaluations of a sample of Federal Information Processing Standards Publication 200 baseline controls and selected National Institute of Standards and Technology 800-53 IT Security Controls at BLM and NBC. We determined that the Department is not in full compliance with all of the baseline controls. These IT security control weaknesses hinder the success of a comprehensive and consistent IT Security Program at the Department.

### 3. Health, Safety, and Emergency Management

Annually, the Department has over 500 million visits to national parks, BLM recreational sites, U.S. Fish and Wildlife Service (FWS) wildlife refuges, and BOR recreation sites. The Department must protect hundreds of millions of visitors, employees, and volunteers, thousands of facilities, and millions of acres of property from both internal and external threats. The physical isolation of some Department lands and facilities increases their vulnerability to threats and inhibits the Department's response time. The Department's Office of Law Enforcement, Security, and Emergency Management continues to struggle with its role involving policy and oversight of bureau law enforcement, security, and emergency management programs.

The devastating hurricanes of 2005 had a two-fold impact on the Department. First, the Department assisted with federal relief efforts under the National Response Plan (NRP). Second, bureaus directly experienced the impact of the disasters. The Department sustained significant damage to 12 parks and preserves, 86 refuges, 68 water monitoring gauges, and the MMS Gulf of Mexico Regional Office. As of September 30, 2006, the Department spent approximately \$104 million on hurricane relief and recovery. This included approximately \$61 million for NRP activities and \$43 million to address internal damage. The OIG is pleased to report that overall the bureaus effectively managed their 2005 hurricane related expenditures. Given the magnitude of the damage to the Gulf Coast and the Department's facilities, the issues the OIG identified through expenditure testing proved relatively insignificant. The bureaus performed well.

We found that the Department has an unsafe and unreliable radio communications environment that jeopardizes the health and safety of Department employees and the public. Technical studies have identified over 100 Department radio sites in poor or hazardous conditions. These conditions result in physical safety hazards that pose an immediate risk of injury or death to employees and the public. In addition, severe deterioration at some Indian Affairs (IA) elementary and secondary schools, including boarding schools, may directly affect the health and safety of Indian children. Some of these buildings have been condemned for over 10 years and pose the potential for serious injury or death for students and faculty. Finally, FWS employees and USGS biologists are working in unsafe buildings that were condemned nearly 8 years ago; FWS has made little progress in replacing the condemned facilities.

We issued two flash reports to notify the Department of serious health and safety issues. One report noted a serious system failure at a National Park Service (NPS) facility that is used by visitors and staff, placing users' lives in danger. The second report noted that an



**Figure 75.** Major Management and Performance Challenges *(continued)*

abandoned mine site on BLM land was contaminated with high levels of arsenic. In both instances, bureau officials knew of the health risks but had not taken timely action to mitigate danger to the public and employees. Our reports were intended to prompt immediate action.

#### **4. Maintenance of Facilities**

The Department owns, builds, purchases, and contracts services for assets such as roads, bridges, schools, office buildings, dams, irrigation systems, and reservoirs. Repair and maintenance of some of these assets have been postponed until future years due to budgetary constraints. The Department refers to these unfunded repair and maintenance needs as deferred maintenance.

According to the February 2007 Government Accountability Office (GAO) report, “Major Management Challenges, Department of the Interior,” the Department has made progress addressing prior recommendations to improve information on the deferred maintenance needs of NPS facilities and IA schools, however, its maintenance backlog continues to grow substantially.

The deferred maintenance backlog is a continuing challenge for the Department. According to the fiscal year 2006 “Annual Report on Performance and Accountability,” exact estimates of deferred maintenance costs are difficult to determine due to the scope, nature, and variety of assets entrusted to the Department, as well as the nature of deferred maintenance itself. Using the Department’s current approach for estimating the backlog, the amount needed to correct deferred maintenance for property, plant, and equipment ranges from approximately \$9.6 billion to \$17.3 billion.

#### **5. Responsibility to Indians and Insular Areas**

Management problems persist in programs for Indians and island communities. The Department provides more than \$750 million annually for basic tribal services, including tribal courts, social services, and natural resource management. The Department is responsible for administering the federal government’s trust responsibilities to Indian tribes and individual Indians and has various responsibilities to seven island communities — four territories and three sovereign island nations.

Tribal entities’ financial compliance with funding agreements should be ensured through the single audit process; however, 36 (42 percent) of the 86 single audit reports reviewed by the OIG for tribal entities (including tribal governments and tribal schools, and tribal associations) submitted delinquent single audit reports during fiscal year 2007.

The OIG found that serious loan portfolio deficiencies, coupled with a significant economic downturn, threaten the viability of the development bank of Commonwealth of the Northern Mariana Islands (CNMI). The bank, operated under the Commonwealth Development Authority (CDA), was established to drive economic growth through loans to new and existing businesses. After 20 years of operation, CDA’s uncorrected loan



**Figure 75.** Major Management and Performance Challenges *(continued)*

portfolio deficiencies have resulted in high delinquency rates and plummeting assets. The deficiencies are long-standing and have been documented both by our office and by a 2002 CNMI Public Auditor's report. Although CDA continues to operate at a reduced level of service, it cannot begin to correct loan deficiencies, build revenues, and meet its mandate to stimulate economic progress without immediate and decisive action.

We were troubled to find that the Virgin Islands Lottery has virtually no control over video lottery terminal operations, a condition that raises serious concerns about whether the Virgin Islands Government is receiving all the lottery revenues and taxes to which it is entitled. Our audit revealed that the Lottery received \$8.3 million in total revenues for calendar years 2003 through 2005. The video lottery terminals were expected to generate revenues to the Virgin Islands Government of about \$15 million annually, thereby enabling the Virgin Islands Government to implement or supplement programs to improve the economy and quality of life for the people of the Virgins Islands. Southland Gaming of the Virgin Islands controls every aspect of video gaming on the islands as a result of a flawed contract and master license agreement.

## **6. Resource Protection and Restoration**

The Department's resource managers face the challenging task of balancing competing interests for the use of the Nation's natural resources. Federal lands account for approximately 30 percent of energy produced in the United States. The Department has jurisdiction over 1.76 billion acres of the Outer Continental Shelf, manages about one-fifth of the land area of the United States, and administers 700 million acres of subsurface mineral estate throughout the Nation. In addition, the Department protects thousands of wetlands, aquatic parcels, and native plant and animal species, including more than 1,300 with special status under the Endangered Species Act.

Annual appropriations to prepare for and respond to wildland fires have increased substantially over the past decade, in recent years totaling about \$3 billion. BLM, IA, NPS, and FWS within the Department, along with the Forest Service within the Department of Agriculture are responsible for responding to wildland fires on federal lands. The GAO found that although the agencies have established a broad goal of suppressing wildland fires at minimum cost — considering firefighter and public safety and resources and structures to be protected — they have no defined criteria by which to weigh the relative importance of these often-competing priorities. As a result, according to agency officials and reports, officials in the field lack a clear understanding of the relative importance the agencies' leadership places on containing costs and therefore are likely to select firefighting strategies without due consideration of the costs of suppression. The agencies also have yet to develop a vision of how the various cost-containment steps they are taking relate to one another or to determine the extent to which these steps will be effective. The agencies are working to develop a better cost-containment performance measure, but the measure may take a number of years to fully refine. Finally, the agencies have taken, or are beginning to take, steps to improve their oversight and increase accountability — such as requiring agency officials to evaluate

**Figure 75.** Major Management and Performance Challenges *(continued)*

firefighting teams according to how well they contained costs — although the extent to which these steps will assist the agencies in containing costs is unknown.

The OIG reviewed the special-use permits issued by NPS and BLM that allow for the private use of public lands. The OIG found that NPS has allowed private individuals or exclusive clubs to monopolize desirable locations near major metropolitan areas for decades to the exclusion of the general public. Some of the clubs charge high membership fees or limit the number of people who can become members. NPS continues to renew the permits for these exclusive clubs and has kept the \$2.6 million in permit fees received over the 4-year period of our review instead of remitting the funds to the United States Treasury. Moreover, both NPS and BLM have allowed permits to be renewed without ensuring their compliance with the requirements of the National Environmental Policy Act.

## 7. Revenue Collections

In fiscal year 2006, mineral lease revenues collected by the Department on behalf of the federal government exceeded \$12 billion. In addition, the Department's revenue from activities such as grazing, timber, and lands sales was over \$6 billion.

In fiscal year 2006, GAO reported that oil and gas companies received over \$77 billion from the sale of oil and gas produced from federal lands and waters, and MMS reported that these companies paid the federal government about \$10 billion in oil and gas royalties. Based on the results of a number of studies, GAO found that the federal government receives one of the lowest government royalty rates in the world and has consistently ranked low in government royalty rates compared to other governments.

Historically, MMS has relied on audits to verify companies' reported royalties. In the late 1990s, MMS began reengineering its royalty verification processes, which included the establishment of the Compliance Review Process. A compliance review is less intensive than an audit and is designed to determine the reasonableness of reported royalties without obtaining detailed source documentation or conducting site visits. However, compliance reviews do not provide the same level of assurance as an audit and therefore should only be used in conjunction with audits in a coordinated compliance strategy. The OIG found that weaknesses in the compliance review process may prevent MMS from maximizing the benefits of the compliance reviews. These weaknesses related to management information, the compliance review process, and the performance measures used to evaluate the Compliance and Asset Management Program's effectiveness.

On January 23, 2006, the New York Times published an article alleging that oil and gas companies were not paying the correct amount of royalties due to the American taxpayer. The article focused on the fact that the increase in royalty payments made to the federal government in 2005 had not paralleled the increase in profits the oil and gas companies reported to their shareholders. In response to this article, the MMS Director was called to testify before the House of Representatives Committee on Government Reform. The



**Figure 75.** Major Management and Performance Challenges *(continued)*

Director testified that MMS had issued leases in 1998 and 1999 without price thresholds that had previously been included in leases issued after the passage of the Outer Continental Shelf Deep Water Royalty Relief Act in 1995. This was done in error rather than an MMS policy decision; however, the result was that no royalties are due even though prices are high. An OIG investigation determined that the Associate Director for Offshore Minerals Management was informed of the omission in 2000. The MMS Director was not informed of the omission until 2004.

## **8. Procurement, Contracts, and Grants**

Procurement, contracts, and grants have historically been areas subject to fraud and waste government-wide; managing them is a continuing challenge. The Department spends substantial resources each year in contracting for goods and services and in providing federal assistance to states and Indian organizations. The Department provides over \$2 billion each year in funding for grants, cooperative agreements, Indian self-determination contracts, and self-governance compacts to state, local, and insular area governments; Indian tribes; colleges and universities; and other nonprofit organizations.

### **Procurement and Contracts**

Recent audits at the Department and other federal agencies highlighted concerns with interagency procurement services performed through fee-for-service organizations. Interagency contracting is a tool that, when effective, can help agencies to streamline the acquisition process and increase cost efficiency. The Department has two acquisition centers that assist other government agencies. These are GovWorks and the Acquisition Services Division, Southwest Branch (SWB), both of which are under the NBC.

In fiscal year 2005, the Department executed procurements through these centers in excess of \$1.7 billion on behalf of the Department of Defense (DOD). The National Defense Authorization Act for Fiscal Year 2006 required that the DOD Inspector General work with the other Inspectors General to review procurement policies, procedures, and internal controls, as well as administration for all agencies processing more than \$100 million in DOD procurements. To meet this requirement, the DOD OIG and the Department of the Interior OIG jointly audited the two Department contracting centers that provide acquisition services to DOD. The audit objective was to determine whether the Department complied with DOD procurement requirements, including whether the Department and DOD used and tracked funds properly. The DOD OIG also evaluated whether DOD had a legitimate need to use Department contracting services.

Overall, the audit determined that neither GovWorks nor SWB complied in full with legal requirements, with federal acquisition regulations, and with DOD supplemental requirements. In fact, the contracting centers routinely violated rules designed to protect federal interests and the public trust. These actions put the Department at risk for loss of business as well as loss of public confidence and trust and may result in Antideficiency Act violations at DOD.



**Figure 75.** Major Management and Performance Challenges *(continued)*

An OIG audit identified that IA purchased and stored an estimated \$3.6 million in radio equipment it could not use. IA started purchasing equipment in fiscal year 2000 as part of its conversion to mandated narrowband radio technology. Since it lacked a plan to guide its equipment purchase, IA wasted valuable resources buying unusable equipment for which it will continue to incur storage and maintenance costs, as well as extensive costs to upgrade, refurbish, replace, or dispose of the aging equipment. IA also lacked inventory controls over approximately \$6.2 million in purchased equipment, resulting in potential losses due to fraud, theft, or negligence.

The OIG also found that IA maintained inadequate contract documentation to support the \$20 million expended on this technology. Specifically, it failed to locate documentation for two contracts, while documentation for other procurements proved incomplete. Finally, IA improperly awarded at least \$5.5 million in sole source tasks to a contractor by inappropriately modifying an existing task order in violation of the Federal Acquisition Regulation. Overall, the modifications more than quadrupled expenditures for the task order and nearly tripled the performance period.

#### **Grants Management**

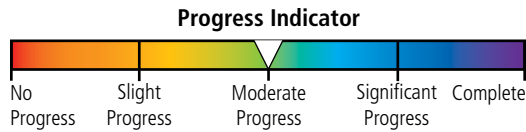
Audits of FWS grants awarded to sixteen states, the District of Columbia, and the Commonwealth of the Northern Mariana Islands revealed a potential savings of \$7.5 million. The grants are awarded under the Federal Assistance Program for State Wildlife and Sport Fish Restoration (Federal Assistance Program). The grants finance up to 75 percent of state-sponsored projects, such as developing sites for boating access and acquiring and managing natural habitats. Examples of potential savings include \$1.2 million in unsupported personnel costs charged to grants by the District of Columbia, \$678,033 in funds used in Texas on unauthorized locations, and \$269,931 in costs incurred in Arizona that were outside the grant period.

We also identified other conditions that need attention. For example;

- Nine audits identified licensing as a significant issue, including potential improper use of hunting and fishing license revenue and inaccurate counts of license holders;
- Nine audits identified grantees that earned program income using grant funds but did not account for it in an appropriate manner;
- Seven audits found grantees lacked adequate control over personal property, and four of the audits found inadequate control over real property; and
- Five audits identified deficiencies — such as using the incorrect indirect cost rate — in the accounting for indirect costs incurred under the grant.

Financial Management

**Financial and Business Management System**



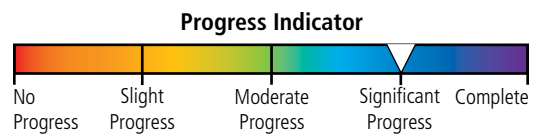
The Department of the Interior and its bureaus are in the process of implementing the Financial and Business Management System (FBMS). The FBMS is a combination of software products that will be used to manage DOI's financial operations. The implementation is phased into several "deployments" at DOI bureaus running through October 2013.

The BLM is currently scheduled to implement FBMS on November 3, 2008. The BLM will be implementing core financial, acquisition, financial assistance, and related management reporting in the November 2008 deployment. At the same time, the BLM must develop interfaces to FBMS for our collections and billing system and the budget planning system. The remaining functionality, including real property and budget formulation as well as full functionality from the 2008 deployment, will be implemented in the FBMS deployment scheduled for November 2009. BLM's implementation is the largest and most comprehensive implementation of FBMS to date. To add to the challenge, we have an aggressive timeline for the November 2008 deployment. Work began on BLM's November 2008 deployment with the "blueprint kick-off" on September 17, 2007. This gives the BLM slightly less than 14 months to complete the implementation.

The BLM is challenged with an aggressive timeline, resource requirements, training, and management of organizational change in a successful deployment of FBMS. In order to meet these challenges, the BLM has developed a strong management and organizational change network with active

field outreach. We have also assessed the resource requirement of managing ongoing workloads along with the implementation of FBMS. The gap in resources is being addressed by using contractor support, filling vacancies, and "borrowing" resources from other DOI bureaus. Although these deployments are challenging, we are optimistic and focused on a successful implementation for the BLM in November 2008 and November 2009.

**Budget and Performance Integration**



OMB Circular A-11, "Preparation, Submission and Execution of the Budget," requires all organizations in the Federal Government to fully integrate planning and strategic goals with performance objectives in the development of their budgets. Performance measures developed in the DOI strategic plan structure have given the BLM a tool to measure outcomes and evaluate results. The BLM has made progress in implementing budget and performance integration in 2007 by completing the following actions:

- A full review of 2004-2006 financial and performance information was completed using BLM's Management Information and Activity Based Costing Systems. Full cost information was used to analyze and compare performance information across the organization. The results of the review were used by managers to provide the final allocations for the 2007 annual work plan and the 2008 planning target allocations and to develop the 2009 budget submission.
- The BLM participated in the review and updating of the performance

measures in the DOI 2007-2012 strategic plan and reviewed and updated the additional BLM-specific performance measures. The Program Assessment Rating Tool (PART) recommended performance measures were included.

- Performance appraisal plans for managers were tied directly to the mission goals in the DOI strategic plan, and the performance targets were cascaded throughout the organization to individual employee appraisal plans.
- The BLM participated in quarterly reviews with the Department of the Interior. The full cost of achieving performance measures, as well as the marginal cost of performance measures, was reported during each quarterly review.

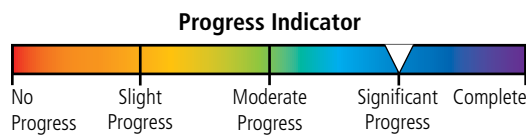
The Program Assessment Rating Tool (PART) developed by the OMB is a systematic method of assessing the performance of program activities across the Federal Government and is designed to improve program performance by linking performance to budget allocation decisions.

One hundred percent of the BLM’s programs were evaluated over a 5-year period, from FY 2002-2006, using the PART. The relationship of those assessments to the mission goals in the DOI strategic plan is shown in table 16.

During the original assessments, three BLM programs, resource management planning, mining law administration, and the Southern Nevada Public Land Management Act administration did not

have sufficient performance measures developed to successfully evaluate their effectiveness. Performance measures for those programs have been developed, and the majority of those measures have been approved. In 2007, the BLM continued to work with the OMB to correct issues related to three programs that had received a “results not demonstrated” rating emanating from PART reassessments. No new assessments were scheduled for the BLM during 2007.

### Information Technology



The OIG statement summarizing the major management and performance challenges facing the Department of the Interior identified vulnerabilities in internal security controls and perimeter defenses that require improvements. With respect to internal security controls, the OIG identified the following areas needing improvement: implementing least privilege on shared folders permissions and other network resources, improving security of the Windows desktop, developing an infrastructure to collect and store audit logs, and enhancing internal intrusion detection/prevention capabilities.

The BLM has made significant progress in improving internal security controls, although the resolution to some of the internal security issues are

**Table 16.** Strategic Plan Mission Areas/PART Relationship

Resource Protection	Resource Use	Recreation	Serving Communities
2002 – Wildlife Habitat Restoration	2003 – Energy and Minerals	2003 – Recreation Management	2004 – Realty and Ownership
2006 – Resource Management	2005 – Mining Program		2004 – Southern Nevada Public Land Management Act
			2004 – Planning



pending procurements and decisions by the Department on security standards and the adoption of Departmentwide security tools and technologies. To mitigate the folder and resource permission issue, the BLM promulgated guidance to reconfigure permissions and further directed the state, center, and field offices to review data within these resources to make sure the permissions assigned were appropriate and the data was needed as a shared resource. Periodic random testing has been instituted to verify proper resource permission is in place.

Improvements have also been made to Windows desktop security. The desktop administrator passwords have been changed, and the Bureau issued requirements for state, center, and field offices to improve the physical and network security for BLM's "public room" computers. In addition, the BLM has been working with the DOI Systems Technical Implementation Guide working group to select and finalize a definitive DOI Windows XP security configuration with implementation scheduled for February 2008.

In moving towards full implementation of continuous monitoring and systems testing as a recognized part of the Federal Certification and Accreditation guidance, the BLM is furthering development of a consolidated audit log capability. BLM's security devices log all applicable activity data on a 24 hours a day, 7 days a week, 365 days a year schedule. As a result, continued improvement of internal intrusion detection and prevention capabilities is in progress. Additionally, the Bureau is in the process of procuring the Internet Security System's (ISS's) Anomaly Detection System to monitor and respond to anomalous internal activities.

The BLM has also made significant progress in the arena of network perimeter security. In FY 2007, the DOI OIG authorized ISS to perform an external penetration test on BLM networks to ascertain potential security weaknesses of network devices and hosts. ISS tested BLM's network security controls for almost 2 months and was not able to penetrate the BLM's network, despite the fact that

the majority of the security controls were disabled for the purposes of the penetration test (ISS was allowed to pass unobstructed through BLM's perimeter firewalls, the perimeter intrusion prevention systems, the perimeter application-layer firewalls, and the perimeter log consolidation and blocking tool). ISS noted that BLM's network perimeter "exhibits many excellent security practices and controls that made identifying and exploiting any vulnerability difficult."

The BLM continues to make significant progress in two areas previously identified by the OIG: certification and accreditation (C&A) and implementation of a plan of actions and milestones (POA&M) process. The OIG evaluated BLM's information technology (IT) security program in FY 2007 (ISD-EV-BLM-0004-2007), including the C&A program. The OIG determined that the BLM is in compliance with the National Institute of Standards and Technology (NIST) and DOI IT security standards and guidance and has an IT security program that continues to mature.

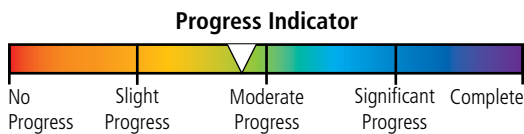
With respect to C&A, the OIG stated that the BLM has "very effectively" implemented security certification of its information systems in accordance with the NIST C&A guidance, Special Publication 800-37. In addition, the OIG recognized the BLM as being proactive in complying with the latest C&A requirements and guidance and stated that we had done an "exceptional job" developing clear and concise C&A policies. However, the BLM acknowledges that improvements are needed in the continuous monitoring of systems.

The BLM follows DOI POA&M process requirements issued in FY 2006. In accordance with these requirements, POA&Ms are centrally managed by the BLM IT security office. A quarterly review of BLM's POA&M occurs with BLM's Chief Information Officer and the Bureau Director. Both of these individuals are required to sign assurance statements stating the POA&Ms have been reviewed. The Chief Information Officer is required to sign completed POA&M items as an assurance to the DOI that these items have been successfully addressed. In addition, the BLM

has issued its own POA&M process guidance to supplement and clarify DOI requirements. Using this process, the BLM closed 61 POA&M items in FY 2007. Challenges remain in improving this process to properly record all security issues associated with a system, track these items on the POA&M, and encourage system owners to address them in a timely manner.

While additional improvements could be made in both the C&A program and POA&M management, there has been significant process. The OIG has judged BLM’s C&A process to be effective and the BLM has significantly improved its POA&M process to align itself with DOI POA&M requirements.

Health, Safety, and Emergency Management



**Radio Communications**

Communications sites throughout the nation that are components of BLM’s radio infrastructure are defined as the property, building, perimeter fence, and tower at a specific location. Every communication site is required to maintain an authorization to transmit on a defined radio frequency at a maximum power level at a specific location. The radio equipment and batteries at the communication sites are managed by the BLM radio communications personnel in each state, and all of the other equipment and improvements are managed by the Division of Engineering and Environmental Services, either at the state or headquarters level.

In 2007, internal BLM agreements were established to better coordinate and manage radio facilities throughout the BLM. This agreement serves as a platform to launch a three-phase pilot program to conduct a full-

scale baseline compliance assessment (safety, health, and the environment) at various BLM radio facilities. This pilot effort will provide information, data, and an analysis to determine the overall “health” of the sites, gather information to responsibly manage the sites, and determine any immediate safety or performance issues that must be scheduled for immediate correction.

Phase 1 of the compliance assessment was conducted in Arizona, where nine radio sites were inspected. Phase 2 of the compliance assessment was conducted in Arizona and Utah, where seven radio sites were inspected. Phase 3 is scheduled for California, where eight radio sites are scheduled for inspection. All of the information derived from the compliance assessments will be entered into BLM’s site assessment program database. Preliminary findings are being provided to the radio program leads in the respective states for action at the time of discovery.

A review of radio infrastructure was also conducted in 2007 to determine a more accurate value of the current radio infrastructure in BLM. It was determined that the radio wide area network consists of 1,222 radios with a value of approximately \$11.6 million.

Currently site managers are being assigned by the BLM state radio program lead. The assignment of the site managers will be completed by January 1, 2008. The site manager’s priority is to establish and publish individual site management plans to support the radio infrastructure (targeted for completion in 2010). Site managers will be assigned to every communication site that has BLM radio equipment in use. The communication site manager will be a field telecommunications specialist or state office telecommunications manager and will be responsible for all facets of the communications site. The site manager’s primary duties will be equipment and records management, site compliance accountability, and coordination with cooperators. A list of cooperators will be compiled for each site that will include the organization, point of contact, memorandum of understanding, and radio frequency authorization (or license).

### **Hazardous Sites**

The OIG's report recommended that the BLM take immediate action in regard to protecting the health and safety of the public and employees at its Rand Mining District site, including improving communications with local residents, reducing exposure to arsenic by installing fences and signs on Route 110, installing fences around hazardous mine features, installing air monitoring systems, implementing proper testing and monitoring on local residents, and implementing proper testing and monitoring on employees who work in the area.

The BLM is informing the public about the safety hazards through a variety of media that is reaching thousands of individuals. As recommended, communications will be improved with more open house meetings, advertisements, website access, and presentations at recreational stakeholder meetings.

Roads used to access hazards have been signed, closed, rerouted, fenced off, or made impassable. A section of Route 110 is scheduled to be paved to prevent wind-blown arsenic, and additional fences and signs will be installed.

The BLM continues to make progress in reducing hazardous sites. In FY 2004, approximately 30 hazards were backfilled, plugged, gated, or covered with cupolas. In FY 2006 and FY 2007, 2 hazards were covered with cupolas, 42 deep mine shafts were fenced, and 80 hazards were backfilled.

Several air monitoring sites have been identified and a contract was awarded for the installation of the air monitoring systems, which began on October 3, 2007. Several health and safety plans were prepared and forwarded to the California State Office Occupational Safety and Health Manager. The appropriate air and medical monitoring for residents, BLM staff, and contractors will be developed and implemented in early FY 2008.

The OIG's 2005 audit of the DOI hazardous materials site management program recommended the DOI take immediate action to implement uniform

policies and procedures in identifying and prioritizing hazardous sites, require bureau actions to comply with policy and procedures, develop a management information system that captures consistent and accurate data, and require bureaus to reevaluate current cost estimates and liability codes of environmental and disposal liabilities (EDL) sites for accuracy.

The BLM is participating in a pilot to test the Office of Environmental Policy and Compliance (OEPC) proposed policy for ranking and prioritizing sites. Additionally, the BLM is coordinating with OEPC and other bureaus to assess current BLM policies and procedures to draft uniform policy for identifying and prioritizing sites. The BLM is also coordinating with OEPC to develop an environmental database and will work with OEPC to incorporate BLM site data into a prototype environmental management information system.

The BLM is serving on an interbureau team to conduct a gaps analysis of the DOI's EDL process. After identifying findings and recommendations from the analysis, the interbureau team will develop a fiscal corrective action plan. In FY 2005, the BLM completed cost estimates for all "probable" and "reasonably possible" sites. Furthermore, in FY 2007 the BLM disseminated the DOI EDL handbook to its field offices, maintained and updated the DOI EDL database and trained staff, updated cost estimates and liability codes, and drafted a BLM EDL handbook.

In addition to the 2005 OIG audit report, the OIG provided recommendations for the BLM's Saginaw Hill site in a subsequent flash report, which included notifying the National Response Center and the public, preventing public access, identifying and mitigating physical hazards, and identifying hazardous sites in close proximity to populated areas.

The BLM notified the National Response Center of the Saginaw Hill property on March 17, 2005. In an effort to notify the public of the conditions of the site, the BLM implemented a year-round use restriction for the areas around two contaminated sites via a Federal Register

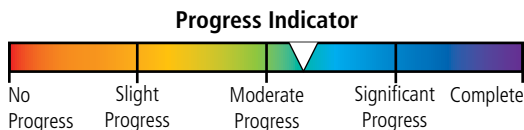


notice. A community involvement plan describing how the BLM would inform the public was issued in February 2005. The BLM completed a site investigation and evaluation/cost analysis in 2005. To prevent public access, the BLM erected fences, put up signs, and increased law enforcement presence in the area.

To identify and mitigate hazards at the Saginaw Hill property, the BLM conducted an onsite assessment and risk analysis and closed 28 shafts and 1 adit. The BLM also verified that the water at the facilities adjacent to the site was safe from contamination.

Although recommendation 5 of the audit report is still open, the BLM has developed a mitigation plan and has issued an instruction memorandum to address what data is required in the newly merged abandoned mine/site cleanup database. The abandoned mine land and hazardous materials program staffs continue to validate and improve historic inventory data in preparation of field validation efforts scheduled for FY 2008.

### Maintenance of Facilities



The BLM has made significant progress since FY 2004 in addressing its deferred maintenance backlog, especially with respect to the deterioration of facilities with adverse impact on health and safety to public and employees. An analysis of the deferred maintenance trend for the past 6 years indicated a drawing down and leveling off of the higher ranking projects normally associated with health and safety deficiencies. Another indication that serious health and safety deficiencies are being addressed is that the BLM is well underway with its second round of comprehensive condition assessments for recreation and administrative

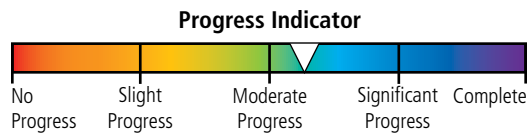
sites, yet there has been no dramatic increase in projects scoring at the highest level normally associated with health and safety in 2005 and 2006.

Beyond health and safety, the BLM has also made significant progress in its stewardship of constructed assets in the past several years. Inventory and condition data have improved remarkably with the completion of baseline comprehensive condition assessments for more than 3,300 recreation and administrative sites in 2004 and the completion of the baseline condition assessment field work for more than 27,000 miles of BLM’s highest grade roads in October 2007. These baseline efforts have resulted in consistency of the data for BLM’s approximately 35,000 constructed assets. Furthermore, the BLM has developed over 140 field office asset business plans in the past 2 years as a result of Executive Order 13327, dated February 2004, and is in the transitional stages of using these plans as a decisionmaking tool for management. Metrics such as the facility condition index as well as the asset priority index are well understood and are being used along with the early developmental stages of qualifying operational and maintenance costs and asset utilization as an investment framework by management.

The challenges in the short-term and long-term include continuing to change the cultural mind-set corporately from project focus to portfolio focus, balancing cost as well as benefit strategies to address dispersed assets that are so typical of this Bureau, calibrating models for various metrics to reduce outliers and to increase reliability of data, ensuring a connection between project submissions to portfolio criteria, increasing engagement by mid-level management to associate asset management with accomplishing their multifaceted mission, and matching annual maintenance expenditures to the rapid growth in public use, e.g., recreation and energy.

Responsibility to Indians and Insular Areas—  
**this management challenge is not applicable to the BLM.**

## Resource Protection and Restoration

**Fire Management**

The OIG indicates that criteria have not been established to weigh the relative importance of various firefighting priorities. Departmental fire policy clearly establishes that firefighter and public safety is the first priority in every fire management activity. Assessing priorities or weighing tradeoffs between protecting resources and structures and suppression costs is extremely complex and is generally done at the incident. Agency field officials support cost containment goals and apply various cost containment measures on individual incidents. Field officials and incident management teams (IMTs) work together to assess local conditions and to develop appropriate fire management strategies, which include cost containment considerations.

Managers and IMTs adjusted suppression tactics in the 2007 fire season. For example, with the implementation of the appropriate management response (AMR) concept, they applied “point protection” strategies rather than applying aggressive suppression actions on all portions of a fire when there was little chance of containing the fire until a significant weather event occurred. This strategy allowed limited resources to be concentrated in areas where fire impacts were not acceptable and the chance of containing the fire was more likely.

The OIG also indicates the Department lacks a vision of how cost containment efforts relate to one another or to determine how effective cost containment efforts will be. The Department’s bureaus use four key tools that relate to and support our fire suppression cost containment efforts: AMR, fire program analysis (FPA), LANDFIRE, and the stratified cost index (SCI). Progress

developing and implementing these tools is ongoing. In terms of their relationship to one another, AMR provides an overarching fire management strategy that considers specific fire and resource conditions and anticipated suppression costs. The FPA system considers the effectiveness of various management components (e.g., suppression, fuels reduction, prevention, and education) in reducing fire occurrence, fire intensity, and; thus, suppression costs. Data derived from LANDFIRE is used to support FPA and is also used to support on-the-ground fuels treatment and suppression operations. The SCI provides information for assessing suppression costs for individual incidents that can be compared to average incidents. The interrelationship between these tools will continue to evolve as they are implemented. The effectiveness of these tools in reducing suppression costs will be assessed over time, and fire management strategies will be modified, as needed, to meet cost containment goals.

**Recreation Special Use Permits**

The BLM has policy, guidance, training, and program oversight evaluations in place to ensure that appropriate NEPA analysis is performed prior to issuing special use and recreation permits. The BLM has more than 3,600 active permits. The OIG questioned a special recreation permit (SRP) that was issued for a shooting range in Ridgecrest, California. The BLM Ridgecrest field office manager oversaw and approved the NEPA review for the SRP based on his experience and professional judgment and determined that the NEPA analysis tools selected were appropriate for the particular permit, using the BLM’s policy and procedures in place at that time.

Responsible officials (typically field office or district managers) have the primary responsibility for ensuring that the appropriate NEPA review and documentation are complete prior to issuing a permit. The environmental consequences of issuing SRPs (including the example above) are analyzed using the appropriate NEPA review process established under

current Departmental and BLM policy and procedures. These responsible officials certify to this effect by signing all NEPA decision documents.

The Department of the Interior's (DOI) Manual Part 516, Chapter 11 (516 DM 11), provides policy and procedural guidance for implementing the NEPA for the BLM. The BLM maintains and provides to all its field offices a BLM NEPA Handbook (H-1790-1) that further clarifies NEPA procedures and the 516 DM 11 requirements and gives examples to assist BLM staff in complying with the NEPA. Where additional direction is required, the BLM develops the necessary NEPA policy and guidance and distributes these to its field offices. Much of this policy and guidance is later incorporated into the BLM's manual and handbooks. The BLM also provides training to staff and managers responsible for NEPA compliance to enhance their NEPA analysis skills.

The BLM is implementing additional oversight to strengthen our compliance with NEPA policies and procedures. The BLM's "Three-year Component Inventory Priority Plan for FY 2007-2009," dated January 30, 2007, includes alternative internal control reviews (AICRs) on NEPA compliance. In FY 2007, NEPA AICRs are being conducted in two states—Montana and Idaho. In FY 2008, NEPA AICRs are planned for California and Utah; in FY 2009, NEPA AICRs are planned for New Mexico and Oregon. Each year the BLM will continue to conduct NEPA AICRs in at least 2 of the 12 BLM states so that an AICR is conducted in each state every 6 years. In addition, at least five of the BLM states conduct their own periodic program reviews of the NEPA compliance process.

The NEPA AICRs document best management practices and determine where challenges exist that can be addressed through guidance, training, or other support. These AICRs review all aspects of BLM's compliance with NEPA, including documentation of NEPA review to issue SRPs. The NEPA AICRs will be led by the BLM Planning and Science Policy Division Chief.

## ***Land and Water Resources***

The BLM continues to make progress on the OIG's 2005 management challenges. BLM resource managers face the challenge of balancing the competing interests for use of the nation's natural resources and managing those resources in a multiple-use environment. The BLM protects, restores, and manages thousands of wetlands areas and more than 143,000 miles of stream and rivers and provides habitat for native plant and animal species.

The BLM's progress in addressing invasive species on the public lands varies from "slight progress to significant progress." Currently, the BLM strives for "no net increase" to existing populations. In addition, the BLM emphasizes "early detection and rapid response" (EDRR). The BLM has found that EDRR is necessary to immediately control a species and possibly eradicate that species before it establishes itself on the public lands. The BLM controls and manages invasive plants on nearly 320,000 to 350,000 acres annually including EDRR projects. One example of success involves the discovery of yellow starthistle in the spring of 2002 in Elko County, Nevada. One infestation was discovered at a BLM campground. The BLM weeds specialist immediately made a trip to the campground and removed two yellow starthistle plants with a shovel. Monitoring results in 2003 showed no new plants and this site will continue to be monitored for yellow starthistle. The other infestation was found on private land at a large mining site. One of the field office geologists noticed about 15 plants during a tour of the mine. The geologist notified the environmental coordinator for the mine about that noxious weed species and control and management of the plants commenced immediately. The mine staff monitored the site in 2003 and found no new plants. These two infestations are the only documented infestations of yellow starthistle in Elko County.

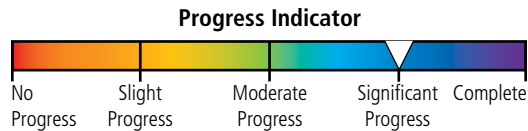
In September 2007, the BLM completed a programmatic vegetation treatment report and environmental impact statement (EIS), providing the BLM with a foundation for



applying new techniques and tools for restoring desirable vegetation and habitat conditions. These documents provide for the protection of rangelands by addressing the use of herbicides, cultural, and mechanical practices to manage invasive plants and by providing protocol for authorizing vegetation treatment tools developed in the future, particularly herbicides.

Revenue Collections—  
***this management challenge is not applicable to the BLM.***

Procurement, Contracts, and Grants



**Procurement and Contracts**

Congress passed the Federal Funding Accountability and Transparency Act, which requires the creation of a Government spending database that allows users to search all Federal contracts and grants. The database is expected to be operational in January 2008. The data will include the name of the receiving entity, the amount of Federal funds the receiving entity has received over the past 10 years, an itemized breakdown of transactions, and the funding program source and purpose descriptions. The public will have access to the website at no cost.

A General Accountability Office report, "Interagency Contracting, Problems with Department of Defense's and Interior's Orders to Support Military Operations" (GAO-05-201, April 2005), found that to support Department of Defense military operations in Iraq, Interior issued 11 task orders, valued at over \$66 million on an existing contract. The report stated that numerous breakdowns occurred in the issuance and administration of the orders for these services.

Although the specific example sighted by the OIG was not directly related to the BLM, the BLM has taken steps to ensure this does not occur. In order to maintain a high level of quality, management control, and oversight, we have implemented policy requiring all acquisition actions to be reviewed by a secondary person (generally at a higher level) prior to issuance of all open market request for quotes, contract awards, purchase order awards, and awards of modifications (except administrative change modifications as defined in the Federal Acquisition Regulations at 43.101).

All contracting officers in the 1102 and 1105 series are required to take the prescribed training set forth in the Department of the Interior's "Federal Acquisition Contracting Certification Manual."

**Grants Management**

An OIG report, "Framework Needed to Promote Accountability in Interior's Grants Management" (W-IN-MOA-0052-2004, August 2005), reported deficiencies including the lack of competition, training, and reliable data assurance that Federal funds were being spent appropriately. In response to this OIG report, the BLM has made significant progress in assuring that we are not a substantive contributor to the issues raised by the report.

To ensure appropriate competition, the BLM implemented the use of [www.grants.gov](http://www.grants.gov) in June 2006. This medium requires maximum competition for all discretionary grants and cooperative agreements. The requirement provides the opportunity for potential applicants to view available projects and apply if they can meet the project objectives and are eligible to apply. During FY 2007, the BLM posted 100 percent of all discretionary opportunities.

Policy is currently being developed that will require all grants management officers to meet specified training requirements to award grants and cooperative agreements. The requirements will provide grants management officers sufficient training to award and administer agreements properly.



# Performance Report

The performance of the BLM is made up of hundreds of individual actions performed each day by dedicated employees, volunteers and partners. These individual actions are part of the everyday business necessary to care for the public lands, and together these individual actions provide the valuable contributions needed to achieve performance success. It is the culmination of these many actions, which are focused on the long-term goals of the strategic and operating plans, that produce the positive outcomes presented as the performance measure results in this section.

The performance measures are created to provide a picture of the progress being made to reach specific goals, and they also point out areas where more effort may be needed. Both categories are evident in this section. There are also areas of performance that are decreasing to allow the funding and performance to be transferred to other priorities. The story can be complicated, and it takes many performance measures to tell the story for 2007. Data for all of the performance measures and table 17, which contains management excellence data, can be found on the accompanying CD.









# Principal Financial Statements\*

The principal financial statements included in BLM's FY 2007 PAR have been prepared in accordance with the requirements of the Chief Financial Officers Act of 1990, the Government Management Reform Act of 1994, and the Office of Management and Budget's Circular No. A-136, "Financial Reporting Requirements." These statements include the following:

- Balance Sheet;
- Statement of Net Cost;
- Statement of Budgetary Resources;

- Statement of Changes in Net Position; and

- Statement of Custodial Activity.

The responsibility for the integrity of the financial information included in these statements rests with BLM's managers. The audit of BLM's principal financial statements was performed by an independent certified public accounting firm, selected by the Department of Interior's Office of Inspector General. The auditors' report issued by the independent certified public accounting firm is included at the end of this section.

\* There are three typographical errors in the published version of "The Bureau of Land Management's Performance and Accountability Report for Fiscal Year 2007," and for that reason, the following lines in this online version differ from the published version (the numbers in this online version are correct):

## Consolidated Statements of Changes in Net Position (p. 132)

		2007
<b>Unexpended Appropriations:</b>		
<b>Balances, Beginning of Year</b>	Incorrect (published)	\$ 504,557
	Correct	\$ 504,577
<b>Balances, End of Year</b>	Incorrect (published)	\$ 544,457
	Correct	\$ 554,457

## Consolidated Statement of Net Cost of Operations (p. 161)

		Other
<b>Totals</b>		
<b>Total Earned Revenue</b>	Incorrect (published)	\$ 337,956
	Correct	\$ 337,965



## Principal Financial Statements

Consolidated Balance Sheets  
as of September 30, 2007 and 2006  
(dollars in thousands)

	2007	2006
<b>Assets (Note 3):</b>		
Intragovernmental:		
Fund Balance with Treasury (Note 4)	\$1,454,784	\$1,200,472
Investments, Net (Note 5)	2,209,168	2,361,520
Accounts Receivable (Note 6)	21,197	16,081
Other:		
Advances and Prepayments	3,225	718
Total Intragovernmental	<u>3,688,374</u>	<u>3,578,791</u>
Cash in Imprest Funds	55	54
Accounts Receivable, Net (Note 6)	24,707	10,570
Inventory and Related Property (Note 7)	253,918	279,425
General Property, Plant, and Equipment, Net (Note 8)	479,284	410,097
Other:		
Travel Advances	5,609	108
<b>Total Assets (Note 9)</b>	<u>\$4,451,947</u>	<u>\$4,279,045</u>
Stewardship Land and Heritage Assets (Note 10)		
<b>Liabilities and Net Position:</b>		
<b>Liabilities (Note 11):</b>		
Intragovernmental:		
Accounts Payable	\$ 79,483	\$ 48,387
Debt to Treasury (Note 12)	764,204	914,204
Other:		
Accrued Payroll and Benefits	4,152	3,305
Custodial Liabilities	32,260	279
Undistributed Collections	110,490	108,989
Deferred Revenue	6,308	7,530
Unfunded Payroll Liabilities (Note 13)	24,083	23,082
Due to Treasury Judgment Fund	12,863	12,253
Total Intragovernmental	<u>1,033,843</u>	<u>1,118,029</u>
Accounts Payable	96,609	36,353
Environmental and Disposal Liabilities (Note 14)	1,357	1,721
Federal Employee Benefits - FECA Actuarial Liability	92,378	94,915
Other:		
Accrued Payroll and Benefits	39,641	30,307
Custodial Liabilities	176	162
Secure Rural Schools Act Payable	110,213	106,719
Deposit Funds (Note 15)	152,836	131,401
Deferred Revenue	1,977	1,802
Unfunded Annual Leave	57,365	56,695
Contingent Liabilities (Note 14)	1,033	2,465
<b>Total Liabilities</b>	<u>1,587,428</u>	<u>1,580,569</u>
Commitments and Contingencies (Notes 14 and 16)		
<b>Net Position:</b>		
Unexpended Appropriations - Earmarked Funds (Note 17)	8,310	6,268
Unexpended Appropriations - Other Funds	546,147	498,309
Cumulative Results of Operations - Earmarked Funds (Note 17)	1,897,568	1,848,762
Cumulative Results of Operations - Other Funds	412,494	345,137
Net Position	<u>2,864,519</u>	<u>2,698,476</u>
<b>Total Liabilities and Net Position</b>	<u>\$4,451,947</u>	<u>\$4,279,045</u>

The accompanying notes are an integral part of these financial statements.



Consolidated Statements of Net Cost of Operations  
for the Fiscal Years Ended September 30, 2007 and September 30, 2006  
(dollars in thousands)

	2007	2006
<b>Resource Protection</b>		
Total Cost	\$ 500,649	\$ 345,807
Less: Total Earned Revenue	189,168	846,960
Net Cost/(Revenue)	<u>311,481</u>	<u>(501,153)</u>
<b>Resource Use</b>		
Total Cost	317,303	383,135
Less: Total Earned Revenue	304,540	299,518
Net Cost	<u>12,763</u>	<u>83,617</u>
<b>Recreation</b>		
Total Cost	206,858	144,800
Less: Total Earned Revenue	25,127	27,749
Net Cost	<u>181,731</u>	<u>117,051</u>
<b>Serving Communities</b>		
Total Cost	1,604,188	1,226,209
Less: Total Earned Revenue	62,690	166,719
Net Cost	<u>1,541,498</u>	<u>1,059,490</u>
<b>Total</b>		
Total Cost (Note 18)	2,628,998	2,099,951
Less: Total Earned Revenue	581,525	1,340,946
Net Cost of Operations (Note 19)	<u>\$2,047,473</u>	<u>\$ 759,005</u>

The accompanying notes are an integral part of these financial statements.





Consolidated Statements of Changes in Net Position  
for the Fiscal Years Ended September 30, 2007 and September 30, 2006  
(dollars in thousands)

	Earmarked (Note 17)	All Other	2007	Earmarked (Note 16)	All Other	2006
<b>Unexpended Appropriations:</b>						
<b>Balances, Beginning of Year</b>	\$ 6,268	\$ 498,309	\$ 504,577	\$ 7,414	\$ 464,143	\$ 471,557
Change in Central HAZMAT Ownership (Note 20)	—	—	—	—	(1,789)	(1,789)
Change in Accounting Principle (Note 2)	—	93,571	93,571	—	—	—
<b>Balances, Beginning of Year, as Adjusted</b>	<u>6,268</u>	<u>591,880</u>	<u>598,148</u>	<u>7,414</u>	<u>462,354</u>	<u>469,768</u>
<b>Budgetary Financing Sources:</b>						
Appropriations Received, General Funds	105,682	1,841,007	1,946,689	105,974	1,854,350	1,960,324
Appropriations Used	(103,640)	(1,916,437)	(2,020,077)	(107,120)	(1,523,257)	(1,630,377)
Appropriations Transferred In/(Out), Net	—	29,697	29,697	—	(268,872)	(268,872)
Other Adjustments	—	—	—	—	(26,266)	(26,266)
<b>Total Budgetary Financing Sources</b>	<u>2,042</u>	<u>(45,733)</u>	<u>(43,691)</u>	<u>(1,146)</u>	<u>35,955</u>	<u>34,809</u>
<b>Balances, End of Year</b>	<u>\$8,310</u>	<u>\$ 546,147</u>	<u>\$ 554,457</u>	<u>\$6,268</u>	<u>\$ 498,309</u>	<u>\$ 504,577</u>
<b>Cumulative Results of Operations:</b>						
<b>Balances, Beginning of Year</b>	\$1,848,762	\$ 345,137	\$ 2,193,899	\$1,013,264	\$ 303,960	\$1,317,224
Change in Central HAZMAT Ownership (Note 20)	—	—	—	—	(4,401)	(4,401)
Change in Accounting Principle (Note 2)	44,961	23,251	68,212	(2,765)	—	(2,765)
<b>Balances, Beginning of Year, as Adjusted</b>	<u>\$1,893,723</u>	<u>\$ 368,388</u>	<u>\$2,262,111</u>	<u>\$1,010,499</u>	<u>\$ 299,559</u>	<u>\$1,310,058</u>
<b>Budgetary Financing Sources:</b>						
Appropriations Used	103,640	1,916,437	2,020,077	107,120	1,523,256	1,630,376
Royalties Retained	71,187	4,367	75,554	68,609	3,211	71,820
Transfers In/(Out) Without Reimbursement, Net	10,629	(100,414)	(89,785)	(16,285)	(121,434)	(137,719)
Other Budgetary Financing Sources	765	83	848	(10)	33	23
<b>Other Financing Sources:</b>						
Imputed Financing from Costs Absorbed by Others (Note 21)	6,859	75,920	82,779	5,916	73,750	79,666
Transfers In/(Out) Without Reimbursement, Net	12,763	(6,812)	5,951	19,046	(20,366)	(1,320)
<b>Total Financing Sources</b>	<u>205,843</u>	<u>1,889,581</u>	<u>2,095,424</u>	<u>184,396</u>	<u>1,458,450</u>	<u>1,642,846</u>
<b>Net Cost of Operations</b>	<u>(201,998)</u>	<u>(1,845,475)</u>	<u>(2,047,473)</u>	<u>653,867</u>	<u>(1,412,872)</u>	<u>(759,005)</u>
<b>Net Change in Cumulative Results of Operations</b>	<u>3,845</u>	<u>44,106</u>	<u>47,951</u>	<u>838,263</u>	<u>45,578</u>	<u>883,841</u>
<b>Balances, End of Year</b>	<u>\$1,897,568</u>	<u>\$ 412,494</u>	<u>\$ 2,310,062</u>	<u>\$1,848,762</u>	<u>\$ 345,137</u>	<u>\$2,193,899</u>

The accompanying notes are an integral part of these financial statements.

Combined Statements of Budgetary Resources  
for the Fiscal Years Ended September 30, 2007 and September 30, 2006  
(dollars in thousands)

	2007	2006
<b>Budgetary Resources:</b>		
Unobligated Balance, Beginning of Year	\$ 1,915,549	\$ 1,224,088
Change in Central HAZMAT Ownership (Note 20)	–	(4,286)
Recoveries of Prior Year Unpaid Obligations	107,965	127,895
Budget Authority:		
Appropriations Received	2,277,293	3,031,047
Spending Authority from Offsetting Collections:		
Earned:		
Collected	320,946	329,397
Receivable from Federal Sources	5,047	1,775
Change in Unfilled Customer Orders:		
Advance Received	(1,301)	(2,404)
Without Advance from Federal Sources	(699)	4,754
Total Budget Authority	<u>2,601,286</u>	<u>3,364,569</u>
Nonexpenditure Transfers, Net	20,736	92,482
Permanently Not Available Pursuant to Public Law	–	(26,395)
	<u>\$ 4,645,536</u>	<u>\$ 4,778,353</u>
<b>Status of Budgetary Resources:</b>		
Obligations Incurred:		
Direct	\$ 3,027,184	\$ 2,776,452
Reimbursable	288,055	86,352
Total Obligations Incurred	<u>3,315,239</u>	<u>2,862,804</u>
Unobligated Balance Available, Apportioned	<u>1,330,297</u>	<u>1,915,549</u>
	<u>\$ 4,645,536</u>	<u>\$ 4,778,353</u>
<b>Change in Obligated Balance:</b>		
Obligated Balance, Net:		
Obligations, Beginning of Year	\$ 1,548,957	\$ 1,506,737
Change in Central HAZMAT Ownership (Note 20)	–	(20,073)
Less: Uncollected Customer Payments from Federal Sources, Beginning of Year	<u>(48,163)</u>	<u>(41,634)</u>
Total Obligated Balances, Net, Beginning of Year (Note 20)	1,500,794	1,445,030
Obligations Incurred, Net	3,315,239	2,862,804
Less: Gross Outlays	(2,719,029)	(2,672,615)
Less: Recoveries of Prior Year Unpaid Obligations	(107,965)	(127,896)
Change in Uncollected Customer Payments from Federal Sources	<u>(4,348)</u>	<u>(6,529)</u>
<b>Total Obligated Balance, Net, End of Year</b>	<u>\$ 1,984,691</u>	<u>\$ 1,500,794</u>
<b>Obligated Balance, Net, End of Year:</b>		
Unpaid Obligations	\$ 2,037,202	\$ 1,548,957
Less: Uncollected Customer Payments from Federal Sources	<u>(52,511)</u>	<u>(48,163)</u>
<b>Total Obligated Balance, Net, End of Year</b>	<u>\$ 1,984,691</u>	<u>\$ 1,500,794</u>
<b>Net Outlays:</b>		
Net Outlays		
Gross Outlays	\$ 2,719,029	\$ 2,672,615
Less: Offsetting Collections	(319,645)	(326,993)
Less: Distributed Offsetting Receipts	<u>(650,952)</u>	<u>(1,371,828)</u>
<b>Net Outlays</b>	<u>\$ 1,748,432</u>	<u>\$ 973,794</u>

The accompanying notes are an integral part of these financial statements.

Principal Financial Statements

Consolidated Statements of Custodial Activity  
for the Fiscal Years Ended September 30, 2007 and September 30, 2006  
(dollars in thousands)

	2007	2006
<b>Mineral Lease Revenue:</b>		
Rents and Bonuses	<u>\$254,726</u>	<u>\$241,133</u>
<b>Total Revenue</b>	<u>\$254,726</u>	<u>\$241,133</u>
<b>Disposition of Revenue:</b>		
<b>Distribution to Department of the Interior:</b>		
Minerals Management Service	\$218,513	\$292,714
Bureau of Reclamation	1,688	2,747
<b>Distribution to Other Federal Agencies:</b>		
Department of the Treasury	422	679
<b>Distribution to States</b>	2,108	2,135
<b>Change in Untransferred Revenue</b>	<u>31,995</u>	<u>(57,142)</u>
<b>Total Disposition of Revenue</b>	<u>\$254,726</u>	<u>\$241,133</u>

The accompanying notes are an integral part of these financial statements.





# Notes to Principal Financial Statements

## Note 1 - Summary of Significant Accounting Policies

### A. Reporting Entity

The Bureau of Land Management (BLM or Bureau), a bureau of the Department of the Interior (DOI or Department), was established on July 16, 1946, through the consolidation of the General Land Office and the U.S. Grazing Service in accordance with the provisions of Sections 402 and 403 of the President's Reorganization Plan No. 3 of 1946 (60 Stat. 1097). The BLM's functions are set forth in the Federal Land Policy and Management Act of 1976 (Public Law (P.L.) 94-579).

On March 12, 1996, the Department's Helium Operations were transferred from the U.S. Bureau of Mines to the BLM. This was done under the authority of section 2 of Reorganization Plan No. 3 of 1950 (64 Stat. 1262), as amended. The Helium Production Fund was established by the Helium Act (50 United States Code (U.S.C.) 10), enacted March 3, 1925, and amended by the Helium Act Amendments of 1960 (P.L. 86-777).

In fulfilling its mission, the BLM administers a variety of funds:

**1. General Funds:** These funds consist of expenditure accounts used to record financial transactions arising from Congressional appropriations as well as receipt accounts. The principal general fund expenditure accounts maintained are:

- a. Management of Lands and Resources
- b. Wildland Fire Management
- c. Oregon and California Grant Lands

**2. Special Funds:** The BLM maintains both special fund receipt accounts and special fund expenditure accounts. Collections made into special fund expenditure accounts

are available receipts and are considered to be the BLM's revenue. Collections made into special fund receipt accounts are earmarked by law for a specific purpose but are not generated from a continuing cycle of operations. Receipts are deposited as collected. Funds deposited into special fund receipt accounts typically arise from sales of public lands and materials, sales of timber, fees and commissions, mineral leases, and other charges for services provided by the BLM to users of the public lands. Amounts deposited into special fund receipt accounts are subject to various distribution formulas as specified by law.

**3. Revolving Funds:** This type of fund is used to finance and manage a continuous cycle of business-type operations. The BLM maintains a Working Capital Fund (WCF) as a single administrative unit established to finance and account for services and commodities furnished to various program activities. The WCF was established in 1978 under section 306 of the Federal Land Policy and Management Act of 1976 (P.L. 94-579) with an initial investment of \$2 million in appropriated funds. Since that time, additional equity has been provided through intragovernmental transfers or donations of inventories, capital equipment, and other assets. Transfers or donations are made without reimbursement to the donating activity. All additional income to the WCF has been generated through charges to the BLM's programs or other government agencies. The services provided by the WCF include motor vehicles, stores, a sign shop, a Departmental forms center, and the collection and disbursement of receipts from surface management of the Naval Oil Shale Reserve under an October 2, 1987, memorandum of understanding with the Department of Energy. In addition, the WCF provides funding for travel advances and change-making funds held by imprest fund cashiers.

In addition to the WCF, Helium Operations are funded through a public enterprise revolving fund. This fund was established with monies from the U.S. Treasury to manage the Federal helium

program, which includes helium production, storage, conservation, and sales activities. Funding for current management of this program is provided by sales of helium. Helium production and refining were discontinued on April 1, 1998, pursuant to the Helium Privatization Act of 1996 (P.L. 104-273). However, crude helium storage and sales from the helium stockpile will continue through January 1, 2015.

**4. Trust Funds:** The BLM maintains two trust accounts to carry out specific programs under trust agreements and statutes. The Land and Resource Management Trust Fund contains monies contributed by non-Federal organizations for resource development, protection, and management; conveyance of lands omitted in original surveys; and public surveys requested by individuals. The Alaska Townsite Trustee Fund receives money from the sale of town lots to non-Natives and is available to cover the expenses involved in selling and maintaining town sites.

**5. Deposit Funds:** These funds are maintained to account for receipts awaiting proper classification or receipts held in escrow until ownership is established, at which time proper distribution can be made. Refer to note 15.

## B. Basis of Accounting and Presentation

These financial statements have been prepared to report the financial position, net cost of operations, changes in net position, budgetary resources, and custodial activity of the BLM in accordance with the Chief Financial Officers Act of 1990 and the Government Management Reform Act of 1994. The financial statements have been prepared from BLM's financial records in accordance with U.S. generally accepted accounting principles (GAAP) using guidance issued by the Federal Accounting Standards Advisory Board (FASAB) and the Office of Management and Budget (OMB); the BLM accounting policies that are summarized in this note have also been followed. These financial statements include

all funds and accounts under the BLM's control, as well as allocations from other Federal agency appropriations transferred to the BLM under specific legislative authority.

OMB reporting guidelines require that all of the financial statements, and the related footnotes, be presented on a comparative basis, including balances and amounts for the current year and prior year.

The accounting structure of Federal Government agencies is designed to reflect both accrual and budgetary accounting transactions. Under the accrual method of accounting, revenues are recognized when earned and expenses are recognized when incurred, without regard to the receipt or payment of cash. The budgetary accounting principles, on the other hand, are designed to recognize the obligation of funds according to legal requirements, which in many cases occurs before an accrual-based transaction takes place. The recognition of budgetary accounting transactions is essential for compliance with legal constraints and controls over the use of Federal funds.

Intragovernmental assets and liabilities arise from transactions with other Federal agencies. Except for the Statements of Budgetary Resources, all statements are presented on a consolidated basis and use eliminating entries to avoid overstatement of balances caused by intrabureau transactions. Significant intrabureau balances and transactions have been eliminated in consolidation.

The financial statements should be read with the realization that they are for a component of the United States Government, a sovereign entity. One implication of this is that liabilities cannot be liquidated without legislation that provides the resources and legal authority to do so.

## C. Revenues and Other Financing Sources

The BLM receives most of the funding needed to support its programs through appropriations authorized by Congress. The Bureau receives no-year appropriations that may be used, within statutory limits, for operating and capital expenditures. Additional amounts are obtained through

reimbursements for services performed for other Federal agencies, state and local governments, and the private sector. These revenues may be used to offset the cost of producing products or furnishing services, and to recover overhead costs. Finally, the BLM receives imputed financing from the Office of Personnel Management (OPM) for current and future pension and retirement benefits paid by OPM on behalf of the BLM; the DOI for costs incurred by its Solicitor's Office; and the U.S. Department of the Treasury (Treasury) Judgment Fund for payment of any settlements resulting from litigation against the BLM.

Receipts either are available to the BLM for expenditure or are received by the BLM on behalf of others and then passed on to Treasury or distributed to other governmental agencies. Transfers of receipts to Treasury and others are reported on the accrual basis. That portion of the transfers that will not be disbursed until subsequent fiscal years is included in undistributed collections.

The Southern Nevada Public Land Management Act (SNPLMA), enacted in October 1998, authorizes the BLM to sell public land tracts that are interspersed with or adjacent to private land in the Las Vegas Valley. The BLM is authorized to invest 85 percent of the sales in interest-bearing Treasury securities, while 10 percent of the proceeds are forwarded to the Southern Nevada Water Authority and 5 percent to the State of Nevada's Education Fund. The revenues generated from the land sales and investments enable the BLM and other government entities to acquire environmentally sensitive lands and build or maintain trails, day-use areas, campgrounds, etc., to benefit public visitors.

Helium Fund sales are authorized by 50 U.S.C. 10, enacted March 3, 1925, as amended by P.L. 86-777, dated September 13, 1960, entitled "Helium Act Amendments of 1960." Amounts accumulating in the fund in excess of amounts the Secretary deems necessary to carry out the Helium Act and contracts negotiated thereunder are paid to Treasury and credited against any amounts borrowed from Treasury.

The Helium Privatization Act of 1996 (P.L. 104-273), enacted October 9, 1996, directs the privatizing of the Department of the Interior's Federal Helium Refining Program. Under this law, Interior ceased producing, refining, and marketing refined helium as of April 1, 1998. However, Interior is authorized to store, transport, and withdraw crude helium and maintain and operate crude helium storage facilities in existence on the date of enactment. The Department may also enter into agreements with private parties for the recovery and disposal of helium on Federal lands and may grant leasehold rights to this helium. The sale of stockpile crude helium began in March of 2003 and will continue until January 1, 2015.

The Helium Fund is authorized to retain all receipts, which include, but are not limited to, the sale of inventory, penalties, interest, and administrative charges on past due receivables and proceeds from the sale of its assets. Fees, penalties, interest, and administrative charges are credited to a revenue account and are recorded as a financing source.

#### D. Fund Balance with Treasury and Cash

The BLM's receipts and disbursements are processed by Treasury. Fund balance with Treasury includes appropriated, revolving, and trust funds that are available to pay current liabilities and finance authorized purchase commitments. Also included are various other receipt and expenditure funds. Cash balances held outside of Treasury are imprest funds. No cash is held in commercial bank accounts. Further details on fund balance with Treasury are contained in Note 4.

#### E. Investments

The BLM is authorized to invest in special non-marketable par value and market-based book entry Treasury securities. These securities include U.S. Treasury Bills, bonds, and 1-day certificates that may be purchased and sold as necessary to meet operating needs and legislated requirements. The BLM



invests in securities of the U.S. Treasury pursuant to authorizing legislation for three accounts: the proceeds of certain land sales as authorized by either the Southern Nevada Public Land Management Act enacted in October 1998 or the Lincoln County Land Act enacted in October 2000; and the proceeds of certain oil and gas lease sales authorized by the Alaska Native Claims Settlement Act and the Alaska National Interest Lands Conservation Act, as amended July 17, 2000. Note 5 provides investment details.

#### F. Accounts Receivable

Accounts receivable consist of amounts owed to the BLM by other Federal agencies and the public. Amounts due from the public are stated net of an allowance for uncollectible accounts that is based on an analysis of outstanding receivable balances and past collection experience. No allowance is established for intragovernmental receivables, as they are considered fully collectible from other Federal agencies. See Note 6 for additional information concerning accounts receivable.

#### G. Inventory, Gas and Storage Rights, and Stockpile Materials

The helium inventory is stored in a partially depleted natural gas reservoir and is valued at cost. The cost to purchase the helium was \$12.058 per Mcf (one thousand standard cubic feet). The volume of helium is accounted for on a perpetual inventory basis. Each year, the amount of helium is verified by collecting reservoir data and using generally accepted petroleum engineering principles to calculate the volume. The calculated volumes support the volume carried in the inventory. At a reservoir abandonment pressure of 100 psia (pounds per square inch absolute), 85 percent of the helium reserve is deemed recoverable. The amount of helium that is eventually recovered will depend on the future price of helium and the ability to control the mixing of native gas and helium. The values shown for helium are net of the estimated

unrecoverable amount, so no allowance is required. Gas and storage rights for the storage of helium are recorded at cost.

The Working Capital Fund inventory consists of items that will be consumed in future operations. This inventory is held for use in BLM's resource management programs and is also maintained for sign construction, employee uniforms, and the DOI forms function. Inventory is stated at cost using the weighted average cost method.

Except for Helium Operations, which include helium and natural gas, the BLM's inventory is not held for sale, nor is any of the inventory balance held in reserve for future use or sale. There is no excess, obsolete, or unserviceable inventory, nor is there any inventory held for repair. The BLM does not hold any other related property, including forfeited property, foreclosed property, seized property, commodities, or stockpile materials. Note 7 provides more information on the BLM's inventory and related property.

#### H. General Property, Plant, and Equipment

This category consists of land and land improvements, buildings, other structures and facilities, leasehold improvements, construction in progress, equipment and vehicles, and internal use software.

Statement of Federal Financial Accounting Standards (SFFAS) No. 6, *Accounting for Property, Plant, and Equipment*, SFFAS No. 8, *Supplementary Stewardship Reporting*, and SFFAS No. 29, *Heritage Assets and Stewardship Land*, recommend different accounting treatments for different types of property, plant, and equipment (PP&E) and provide for a distinction between general PP&E and stewardship PP&E. The former are PP&E used to provide general government services or goods. The latter include stewardship land—all land held by the Federal government that is not acquired for or in connection with an item of general PP&E—and heritage assets, including PP&E that have historical or natural significance.

SFFAS No. 10, *Accounting for Internal Use Software*, provides accounting standards for internal use software used by each

agency. Internal use software includes purchased commercial off-the-shelf software, contractor-developed software, and internally developed software using agency employees.

The standards provide for capitalized property to continue to be reported on the Balance Sheets. PP&E that are not capitalized—because they are under the capitalization threshold or because they are stewardship PP&E—are expensed in the year of acquisition. The standards require a disclosure in the Notes to the Principal Financial Statements (see note 10), as well as a separate stewardship report, to provide relevant information regarding stewardship PP&E. The stewardship report can be found following the "Notes to Principal Financial Statements."

Capitalized property and equipment are recorded as follows:

1. The Department established a Departmentwide capitalization threshold effective October 1, 2003. As a result, general PP&E real property is capitalized at cost if the aggregate cost of the building, structure, or facility is \$100,000 or more. An administrative site may contain more than one building, structure, or facility, but it is always bounded by a defined perimeter or an established boundary.
 

Acquired land associated with capitalized assets is recorded separately from the structures, facilities, and improvements. Structures such as buildings that are used by the BLM but administered by the General Services Administration (GSA) or other Federal agencies are not recognized as BLM assets.
2. Leasehold improvements consist of costs incurred in building structures on land owned by third parties, subject to long-term lease arrangements. Facilities are capitalized at cost if the aggregate cost is \$100,000 or more and the remaining term of the lease is 2 years or more.
3. Costs are accumulated in a construction-in-progress account for capitalized general PP&E under construction or being acquired in incremental stages until the property is completed or totally acquired. At that time, the property is transferred to the appropriate asset account(s).
4. Equipment and vehicles are capitalized at cost if the acquisition cost is \$15,000 or more and the estimated useful life is 2 years or more.
5. Software is capitalized at cost if the acquisition cost is \$100,000 or more and the estimated useful life is 2 years or more.

Depreciation of general PP&E real property is based on a useful life of 15 to 30 years for land improvements, 30 years for buildings, and 20 years for structures. The salvage value of general PP&E real property is zero.

Amortization of leasehold improvements is calculated based on the remaining term of the lease, with zero salvage value.

Depreciation of WCF vehicles and heavy equipment is based on useful lives ranging from 2 to 20 years and a 20 to 60 percent salvage value.

Depreciation of non-WCF equipment is based on useful lives of up to 20 years, with a salvage value of 10 to 20 percent.

Amortization of software is based on a useful life of 5 years, with zero salvage value.

Depreciation and amortization of all general property, plant, and equipment is calculated on the straight-line method.

The basis for capitalization of donated property and equipment is the estimated fair market value.

Information on general property, plant, and equipment values is found in note 8.

## I. Liabilities

Liabilities represent the amount of monies or other resources that are likely to be paid by the BLM as the result of transactions or events that have already occurred. However, no liability can be paid by the BLM absent an appropriation. Liabilities for which an appropriation has not been enacted are, therefore, classified in these notes as liabilities not covered by budgetary resources, with no certainty that the appropriations will be enacted. See note 11. In addition, BLM liabilities arising from sources other than contracts can be abrogated by the Government, acting in its sovereign capacity.

Accrued payroll and benefits represent salaries and benefits earned by employees but not yet paid at the close of the fiscal year. The portion of this liability representing accrued employer benefit and payroll tax expense payable to other governmental agencies is shown as an intragovernmental liability; the remainder is the amount owed to employees.

Undistributed collections are amounts held in unavailable special receipt funds at year-end. Amounts collected into these funds and reported as revenue are subject to distribution based on formulas specified in various authorizing pieces of legislation. The distributions occur at various times during the year or in subsequent years, in accordance with the terms of the legislation. The undistributed collections, which are principally due to Treasury, are considered a current liability.

Congress has established the Department of the Treasury Judgment Fund, a permanent, indefinite appropriation, to pay certain judicially and administratively ordered monetary awards against the United States. The Judgment Fund may also pay amounts owed under compromise agreements negotiated by the Department of Justice in settlement of claims arising under actual or imminent litigation. The Judgment Fund bills agencies for amounts paid under the Contract Disputes Act, while it pays other amounts without expectation of reimbursement. The BLM records a liability for the former and records an imputed cost

and financing source for the latter. See note 21 for further discussion of imputed amounts.

Debt to Treasury is a liability of the Helium Fund. Borrowings occurred at various dates. Amounts borrowed became due 25 years from the date the funds were borrowed and are now past due. The debt to Treasury was composed of two categories: net worth debt and additional borrowing from Treasury. Net worth debt was completely repaid in FY 2003; the only remaining principal due to Treasury is the additional borrowing from Treasury.

Net worth debt was the amount due for the net capital and retained earnings of the Helium Fund established under 50 U.S.C. 10, Section 164, enacted March 3, 1925, plus any monies expended thereafter by the DOI from funds provided in the Supplemental Appropriation Act of 1959, for construction of a helium plant at Keyes, Oklahoma.

Additional borrowing from Treasury referred to funds borrowed under 50 U.S.C. 10, Section 167j, which authorized borrowings to acquire and construct helium plants and facilities and for other related purposes including the purchase of helium.

Interest on the helium debt that has not been repaid to Treasury is compounded. While the debt was current, interest was calculated annually at rates determined by the Secretary of the Treasury, taking into consideration the current average market yields of outstanding marketable obligations of the United States having maturities comparable to the investments authorized. The interest rate on the net capital and retained earnings was determined as of September 13, 1960, and the interest rate on additional borrowing was determined as of the time of each borrowing. The U.S. Treasury short-term borrowing rate was used to calculate the annual interest expense while the debt was past due. Since the passage of the Helium Privatization Act of 1996, Public Law 104-273, enacted October 9, 1996, no further interest expense has been incurred. The act defines the amount repayable to the United States as all funds required to be repaid as of October 1, 1995, with no further interest accruing on the debt.



Additional information on debt to Treasury appears in note 12. The Secure Rural Schools and Community Self Determination Act of 2000 was passed during FY 2001. The Act provides for increased payments to eligible states as compensation for the deprivation of revenue they would otherwise receive if BLM-owned lands were held in private ownership. Prior to this act, payments to eligible states were based on a percentage of revenue that the BLM earned on these lands, which has been steadily decreasing. The difference between the new, increased payments and the prior legislated payments is compensated for by an appropriation from the Treasury General Fund. The BLM records an unfunded liability at each year-end for the amount to be appropriated in the following fiscal year for these payments.

Nonintragovernmental deferred revenue consists primarily of deposits received from prospective purchasers of land pursuant to the Southern Nevada Public Land Management Act. These deposits are classified as a liability until the sales are consummated.

#### J. Accrued Leave

Amounts associated with the payment of annual leave are accrued while leave is being earned by employees, and this accrual is reduced as leave is taken. Each year the balance in the accrued annual leave account is adjusted to reflect current pay rates. To the extent that current or prior year appropriations are not available to finance annual leave, future financing sources will be used.

An accrual is also provided for the amount that would be due under the Federal Insurance Contributions Act (FICA) related to this annual leave. See note 13.

Sick leave and other types of leave are expensed as taken because they are nonvesting in nature.

#### K. Contingent Liabilities

The BLM is a party to various administrative proceedings, legal actions,

environmental suits, and claims brought by or against it. Contingent liabilities are recorded in the accounting records when losses are determined to be probable and a reasonable estimate of the scope of the potential liability is available. In accordance with Federal accounting guidance, the liability for future cleanup of environmental hazards is “probable” only when the Government is legally responsible for creating the hazard or is otherwise related to it in such a way that it is legally liable to clean up the contamination. Thus, expected future payments for the cleanup of environmental hazards caused by others are generally classified as government acknowledged, which means they are not recognized as liabilities by the BLM. Instead, any BLM payments related to these environmental hazards are recognized in the financial statements as remediation work is performed. Further information on contingent liabilities is found in note 14.

#### L. Federal Employee Benefits – FECA Actuarial Liability

The Federal Employees’ Compensation Act (FECA) provides income and medical cost protection to covered Federal civilian employees injured on the job, to employees who have incurred work-related occupational diseases, and to beneficiaries of employees whose deaths are attributable to job-related injuries or occupational diseases. The FECA program is administered by the Department of Labor (DOL).

The FECA actuarial liability is the estimated liability for future benefit payments resulting from past events. This liability includes death, disability, medical, and miscellaneous costs. The DOL determines this component annually, using a method that considers historical benefit payment patterns, wage inflation factors, medical inflation factors, and other variables. The projected annual benefit payments are discounted to present value using OMB’s economic assumptions for 10-year Treasury Notes and bonds. To provide for the effects of inflation on the liability, wage inflation factors (i.e., cost of living adjustments) and

medical inflation factors (i.e., consumer price index medical adjustments) are applied to the calculation of projected future benefit payments. These factors are also used to adjust historical benefit payments to current-year constant dollars. A discounting formula is also used to recognize the timing of benefit payments as 13 payments per year instead of one lump sum payment per year.

The DOL also evaluates the estimated projections to ensure that the estimated future benefit payments are appropriate. The analysis includes three tests: (1) a comparison of the current-year projections to the prior-year projections; (2) a comparison of the prior-year projected payments to the current-year actual payments, excluding any new case payments that had arisen during the current year; and (3) a comparison of the current-year actual payment data to the prior-year actual payment data. Based on the outcome of this analysis, adjustments may be made to the estimated future benefit payments.

#### M. Retirement Plan

The BLM's employees participate in one of two retirement programs, either the Civil Service Retirement System (CSRS) or the Federal Employees Retirement Systems (FERS), which became effective on January 1, 1987. Most employees hired after December 31, 1983, are automatically covered by FERS and Social Security. Employees hired prior to January 1, 1984, could elect to either join FERS and Social Security or remain in CSRS. Employees covered by CSRS are not subject to Social Security taxes, nor are they entitled to accrue Social Security benefits for wages subject to CSRS.

For FERS employees, the BLM contributes an amount equal to 1 percent of the employee's basic pay to the tax-deferred Thrift Savings Plan and matches employee contributions up to an additional 4 percent of pay. CSRS employees receive no matching contributions from the BLM. Both FERS and CSRS employees may contribute any dollar amount or percentage of their basic pay; however, the annual dollar total cannot

exceed the Internal Revenue Code limit, which is \$15,500 for 2007.

The OPM is responsible for reporting assets, accumulated plan benefits, and unfunded liabilities applicable to CSRS participants and FERS employees governmentwide. The BLM has recognized an imputed cost and imputed financing source for the difference between the estimated service cost and the contributions made by the BLM and covered CSRS employees. Further information on imputed financing is available in note 21.

#### N. Net Position

The components of Net Position are defined as follows:

1. Unexpended appropriations include undelivered orders and unobligated balances; the latter may include both available and unavailable amounts.
2. Cumulative results of operations are composed of (1) the difference between revenues and expenses, (2) the net amount of transfers of assets in and out without reimbursement, and (3) other financing sources, all since inception of the fund(s).

In accordance with SFFAS No.27, *Identifying and Reporting Earmarked Funds*, within each component there is an additional breakdown to identify earmarked funds from all other funds. Earmarked funds are financed by specifically identified revenues. These revenues are required by statute to be used for designated activities or purposes and must be accounted for separately from the Federal government's other funds. Further details on earmarked funds are contained in note 17.

#### O. Budgetary Collections and Offsetting Receipts

The BLM's offsetting receipts are collections that are credited to general funds or special funds and that offset gross outlays. Unlike offsetting collections, which

are credited to expenditure funds and offset outlays at the fund level, offsetting receipts are credited to receipt funds and offset outlays at the agency or governmentwide level. Offsetting receipts may be either distributed or undistributed to agencies. Distributed offsetting receipts offset the outlays of the BLM, while undistributed offsetting receipts offset governmentwide outlays.

#### P. Use of Estimates

The preparation of financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements, as well as the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

#### Q. Allocation Transfer

The BLM is a party to allocation transfers with other Federal agencies as both a transferring (parent) entity and/or a receiving (child) entity. Allocation transfers are legal delegations by one department of its authority to obligate budget authority and outlay funds to another department. A separate fund account (allocation account) is created within the U.S. Treasury as a subset of the parent fund account for tracking and reporting purposes. All allocation transfers of balances are credited to this account, and subsequent obligations and outlays incurred by the child entity are charged to this allocation account as they execute the delegated activity on behalf of the parent entity. All financial activities related to these allocation transfers reported in the financial statements of the parent entity, from which the underlying legislative authority, appropriations, and budget apportionments are derived. The BLM allocates funds, as the parent, to the Bureau of Indian Affairs (BIA), Bureau of Reclamation (BOR), Corps of Engineers (COE), Forest Service (FS), Fish and Wildlife Service (FWS), National Park

Service (NPS), and Office of the Secretary (OS). The BLM receives allocation transfers, as the child, from the Federal Highway Administration (FHWA), FS, and OS.

### Note 2 – Change in Accounting Principle

In July 2006, OMB Circular A-136, *Financial Reporting Requirements*, was revised to delineate Federal financial reporting requirements for allocation transfers. In prior years, Federal agencies (child) who received allocated budget authority through another Federal agency (parent) were permitted to report proprietary activity in their financial statements. Beginning in FY 2007, child agencies are required to provide parent agencies with all of their financial activity (budgetary and proprietary). Parent agencies will report all of the financial activity in their financial statements as a change in accounting principle. Early implementation was allowed if both the parent and child agency agreed.

In FY 2006, Interior and the Department of Transportation agreed to use the Highway Trust Fund as a pilot for this new reporting requirement. The cumulative effect of this change in accounting principle resulted in a \$2.8 million decrease to the beginning balance of cumulative results of operations on the Consolidated Statement of Changes in Net Position. This also resulted in a \$76 thousand decrease to the Imputed Financing Costs Absorbed by Others (see note 21).

In FY 2007, the beginning balance effect of the change in accounting principle resulted in a net increase of \$190.8 million to assets and \$29.0 million to liabilities on the Balance Sheet. This also resulted in an increase of \$93.6 million to the beginning balances of unexpended appropriations and \$68.2 million to the beginning balances of cumulative results of operations on the Statement of Changes in Net Position.



### Note 3 - Entity and Non-Entity Assets

Entity assets are those that the BLM has the authority to use in its operations and are

considered unrestricted. Nonentity assets are currently held by, but not available to, the BLM and will be forwarded to Treasury, other Federal agencies, or the public at a future date. Non-entity assets are considered restricted.

<b>September 30, 2007:</b> (dollars in thousands)	<b>Entity</b>	<b>Non- entity</b>	<b>Total</b>
Intragovernmental:			
Fund Balance with Treasury	\$1,173,727	\$ 281,057	\$1,454,784
Investments, Net	2,167,322	41,846	2,209,168
Accounts Receivable	21,197	–	21,197
Other:			
Advances and Prepayments	<u>3,225</u>	<u>–</u>	<u>3,225</u>
Total Intragovernmental	3,365,471	322,903	3,688,374
Cash in Imprest Funds	55	–	55
Accounts Receivable, Net	20,503	4,204	24,707
Inventory and Related Property	253,918	–	253,918
General Property, Plant, and Equipment, Net	479,284	–	479,284
Other:			
Travel Advances	<u>5,609</u>	<u>–</u>	<u>5,609</u>
<b>Total Assets</b>	<b><u>\$4,124,840</u></b>	<b><u>\$ 327,107</u></b>	<b><u>\$4,451,947</u></b>

<b>September 30, 2006:</b> (dollars in thousands)	<b>Entity</b>	<b>Non- entity</b>	<b>Total</b>
Intragovernmental:			
Fund Balance with Treasury	\$971,364	\$229,108	\$1,200,472
Investments, Net	2,322,249	39,271	2,361,520
Accounts Receivable	16,081	–	16,081
Other:			
Advances and Prepayments	<u>718</u>	<u>–</u>	<u>718</u>
Total Intragovernmental	3,310,412	268,379	3,578,791
Cash in Imprest Funds	54	–	54
Accounts Receivable, Net	8,754	1,816	10,570
Inventory and Related Property	279,425	–	279,425
General Property, Plant, and Equipment, Net	410,097	–	410,097
Other:			
Travel Advances	<u>108</u>	<u>–</u>	<u>108</u>
<b>Total Assets</b>	<b><u>\$4,008,850</u></b>	<b><u>\$270,195</u></b>	<b><u>\$4,279,045</u></b>

## Note 4 - Fund Balance with Treasury

U.S. Government cash is accounted for on an overall consolidated basis by Treasury. The amounts shown on the Balance Sheets represent the BLM's right to draw on Treasury for valid expenditures. The amounts consist of general fund receipt accounts, general fund expenditure accounts, special fund receipt accounts, special fund expenditure accounts, deposit funds, revolving funds, and trust funds. Refer to note 1(A). The fund balance as shown on

the BLM's records is reconciled monthly with Treasury's records.

Obligated and unobligated balances reported for the Status of Fund Balance with Treasury do not agree with obligated and unobligated balances reported on the Statement of Budgetary Resources because: (1) the budgetary balances include amounts supported by other than Fund Balance with Treasury, such as investments, and (2) the Fund Balance with Treasury amounts include items for which budgetary resources are not recorded, such as deposit funds, and unavailable collections.

<b>Fund Balances:</b> (dollars in thousands)	<b>2007</b>	<b>2006</b>
General Funds	\$ 676,545	\$ 621,585
Special Funds	517,984	372,834
Deposit Funds	141,356	89,841
Revolving Funds	87,749	86,824
Trust Funds	31,150	29,388
<b>Total Fund Balance with Treasury</b>	<b><u>\$1,454,784</u></b>	<b><u>\$1,200,472</u></b>

<b>Status of Fund Balance with Treasury:</b> (dollars in thousands)	<b>2007</b>	<b>2006</b>
<b>Fund Balance with Treasury Covered by Budgetary Resources:</b>		
Unobligated:		
Available	\$ 486,757	\$ 491,472
Obligated Balance Not Yet Disbursed	<u>688,851</u>	<u>482,331</u>
<b>Total Fund Balance with Treasury Covered by Budgetary Resources</b>	<b><u>1,175,608</u></b>	<b><u>973,803</u></b>
<b>Fund Balance with Treasury Not Covered by Budgetary Resources:</b>		
Clearing and Deposit Accounts	141,162	89,702
Unavailable Special Receipts	<u>138,014</u>	<u>136,967</u>
<b>Total Fund Balance with Treasury Not Covered by Budgetary Resources</b>	<b><u>279,176</u></b>	<b><u>226,669</u></b>
<b>Total Fund Balance with Treasury</b>	<b><u>\$1,454,784</u></b>	<b><u>\$1,200,472</u></b>

Additional discussion of Fund Balance with Treasury is presented in note 1(D).

**Note 5 - Investments, Net**

Investments consist of U.S. Treasury Bills that mature within 6 months and U.S. Treasury Notes that mature within 2 years. Effective FY 2007, BLM no longer invests in U.S. Treasury Notes and therefore will no longer accumulate accrued interest.

Amounts shown on the Balance Sheets are at cost, net of discounts and premiums that are amortized using the effective interest method. Additionally, accrued interest receivable is included in the net investment amount for FY 2006. All of the BLM's investments consist of non-marketable market-based Treasury securities.

(dollars in thousands)	2007	2006
Cost	\$2,180,860	\$2,332,347
Amortized (Premiums) and Discounts, Net	<u>28,308</u>	<u>25,503</u>
Net Book Value	2,209,168	2,357,850
Accrued Interest	<u>—</u>	<u>3,670</u>
Investments, Net	<u>\$2,209,168</u>	<u>\$2,361,520</u>

The market value of investments was \$2,212,961 as of September 30, 2007, and \$2,357,290 as of September 30, 2006. Additional information regarding investments may be found in note 1(E).

**Note 6 - Accounts Receivable, Net**

The reported amount for accounts receivable consists of amounts owed to the BLM by other Federal agencies (intragovernmental), or by the public. All

of the BLM's intragovernmental accounts receivable, totaling \$21.1 million, consist of amounts that have not yet been billed. A summary of accounts receivable from the public follows:

(dollars in thousands)	2007	2006
Accounts Receivable from the Public:		
Billed:		
Current	\$ 9,380	\$ 7,745
1 - 180 Days Past Due	14,136	2,228
181 - 365 Days Past Due	564	653
1 to 2 Years Past Due	507	855
Over 2 Years Past Due	<u>245</u>	<u>188</u>
Total Billed Accounts Receivable	24,832	11,669
Unbilled Accounts Receivable	<u>3,794</u>	<u>404</u>
Total Accounts Receivable	28,626	12,073
Allowance for Uncollectible Accounts	<u>(3,919)</u>	<u>(1,503)</u>
Accounts Receivable from the Public, Net	<u>\$24,707</u>	<u>\$10,570</u>

See note 1(F) for additional discussion regarding accounts receivable.



## Note 7 - Inventory and Related Property

(dollars in thousands)	2007	2006
Stockpile Materials:		
Recoverable Below-Ground Crude Helium:		
Held for Sale	\$244,765	\$271,065
Held in Reserve	7,235	7,235
Inventory:		
Gas and Storage Rights, Held for Sale	907	926
Operating Materials:		
Working Capital Fund Inventory, Held for Use	1,011	199
Total Inventory and Related Property	<u>\$253,918</u>	<u>\$279,425</u>

The recoverable below-ground crude helium, held for sale, current amount, as of September 30, 2007, was \$25,321,800 and the future amount was \$219,443,204. Valuation methods and other information regarding inventories are presented in note 1(G).

## Note 8 - General Property, Plant, and Equipment, Net

September 30, 2007: (dollars in thousands)	Acquisition Cost	Accumulated Depreciation	Net Book Value
Land and Land Improvements	\$130,273	\$ (45,747)	\$ 84,526
Buildings	224,893	(80,028)	144,865
Other Structures and Facilities	43,578	(30,087)	13,491
Leasehold Improvements	8,945	(1,377)	7,568
Construction in Progress	49,326	–	49,326
Equipment and Vehicles	324,225	(156,746)	167,479
Internal Use Software:			
In Use	13,658	(6,990)	6,668
In Development	5,361	–	5,361
Total	<u>\$800,259</u>	<u>\$(320,975)</u>	<u>\$479,284</u>

September 30, 2006: (dollars in thousands)	Acquisition Cost	Accumulated Depreciation	Net Book Value
Land and Land Improvements	\$114,356	\$(40,922)	\$73,434
Buildings	196,710	(71,840)	124,870
Other Structures and Facilities	43,224	(28,979)	14,245
Leasehold Improvements	5,769	(960)	4,809
Construction in Progress	45,388	–	45,388
Equipment and Vehicles	265,405	(129,516)	135,889
Internal Use Software:			
In Use	13,846	(5,260)	8,586
In Development	2,876	–	2,876
Total	<u>\$687,574</u>	<u>\$(277,477)</u>	<u>\$410,097</u>

Capitalization criteria and other information regarding property, plant, and equipment are discussed in note 1(H).

## Note 9 - Total Assets

For financial reporting purposes, the BLM has not recognized the value of negotiable securities or certificates of deposit pledged to guarantee performance of contracts. These instruments are accepted in lieu of bond coverage in the following programs: solid or fluid energy minerals extraction (oil, gas, coal, etc.), rights-of-way on the public or other lands, and certain contracts (performance bonds). Interest earned is paid to the owner of the security or certificate of deposit and is not available to the BLM. At September 30, 2007, the value of these securities was \$6 million; at September 30, 2006, the value was \$10 million. Since these instruments are not available to the BLM unless a customer defaults on an agreement, they are not recognized as BLM's assets or liabilities.

## Note 10 - Stewardship Land and Heritage Assets

The BLM implemented the provisions of SFFAS No. 29, Heritage Assets and Stewardship Land, effective July 7, 2005. It is the mission of the BLM to sustain the health, diversity, and productivity of the public lands for the use and enjoyment of present and future generations. These public lands are all stewardship lands; the management of the resources related to the land is the essence of the BLM's mission. The BLM has stewardship responsibility for the multiple-use management of natural resources on and beneath America's public lands as legislated through the Federal Land Policy and Management Act (FLPMA) of 1976 (43 U.S.C. 1701 et seq., P.L. 94-579, sec. 103(e)). Guided by the principles of multiple use and sustained yield, the BLM manages all of its public lands, including natural heritage assets, for one or more of its stated multiple uses.

The BLM has oversight authority over collectible and noncollectible cultural heritage assets that are located on the public lands. These noncollectible heritage assets have been Presidentially, Congressionally,

or Secretarially designated. The BLM also reports on museum collections housed in both Interior and non-Interior facilities that contain items originating from the public lands.

The overarching goals and principles by which the public lands are managed are contained in FLPMA, which provides the basis for planning and managing the uses of resources on the public lands for the American people. In section 102, FLPMA declares that the policy of the United States is as follows:

- “Goals and objectives be established by law as guidelines for public land use planning, and that management be on the basis of multiple use and sustained yield unless otherwise specified by law;
- The public lands be managed in a manner that will protect the quality of scientific, scenic, historical, ecological, environmental, air and atmospheric, water resources, and archeological values; that, where appropriate, will preserve and protect certain public lands in their natural condition; that will provide food and habitat for fish and wildlife and domestic animals; and that will provide for outdoor recreation and human occupancy and use...
- The public lands be managed in a manner which recognizes the Nation's need for domestic sources of minerals, food, timber, and fiber from the public lands including implementation of the Mining and Minerals Policy Act of 1970 . . . as it pertains to the public lands . . . .”

There are many other laws and Executive orders that provide guidance on how specific uses are managed (refer to table 19 in the “Required Supplementary Information: Stewardship Land and Heritage Assets Report” section of this report). The BLM develops policy and guidance based on the above-referenced laws and Executive orders, and reviews the adequacy of policy through program evaluations, technical reviews, and

general management evaluations. These evaluations and reviews are performed to ensure that the BLM at all levels (field, state, national, and headquarters offices) is operating in compliance with law, regulation, and policy. Evaluations also allow the BLM to identify where policy needs to be amended to achieve the intended purposes of those laws and Executive orders.

The BLM carries out these laws and regulations at the administrative management areas within each of its broadly defined states. These areas are the management level units at which specific land use plans are developed and implemented to manage the land and its resources for both present and future periods.

### **Note 11 - Liabilities Covered or Not Covered by Budgetary Resources**

Liabilities covered by budgetary resources and liabilities not covered by budgetary resources are combined in the Balance Sheets presentation. Liabilities covered by budgetary resources are liabilities to be paid with existing appropriation authority. Liabilities not covered by budgetary resources represent those liabilities for which Congressional action is needed before budgetary resources can be provided.

Current liabilities are expected to be liquidated during the subsequent fiscal year. Additional information regarding liabilities may be found in note 1(I).

***Liabilities Not Covered by Budgetary Resources.*** The Liabilities Not Covered by Budgetary Resources sections in the following tables do not necessarily correlate to the increase in certain unfunded liabilities in the Components Requiring or Generating Resources in Future Years section of the Reconciliation of Net Cost of Operations (Proprietary) to Budget (Formerly the Statement of Financing). The Components Requiring or Generating Resources in Future Years section of the Reconciliation of Net Cost of Operations (Proprietary) to Budget (Formerly the Statement of Financing) only includes increases in certain unfunded liabilities; the decreases are included in the Resources Used to Finance Items Not Part of the Net Cost of Operations section of the notes. Additionally, some liabilities not covered by budgetary resources are not included in the Reconciliation of Net Cost of Operations (Proprietary) to Budget (Formerly the Statement of Financing) as they have no budgetary accounting impact nor do they affect the net cost of operations.





September 30, 2007: (dollars in thousands)	Covered by Budgetary Resources		Not Covered by Budgetary Resources		Total
	Current	Non-current	Current	Non-current	
Intragovernmental:					
Accounts Payable	\$ 79,483	\$ -	\$ -	\$ -	\$ 79,483
Debt to Treasury	50,000	714,204	-	-	764,204
Other:					
Accrued Payroll and Benefits	4,152	-	-	-	4,152
Custodial Liabilities	-	-	32,260	-	32,260
Undistributed Collections	-	-	110,490	-	110,490
Deferred Revenue	6,308	-	-	-	6,308
Unfunded Payroll Liabilities	-	-	7,654	16,429	24,083
Due to Treasury Judgment Fund	-	-	-	12,863	12,863
Total Intragovernmental	139,943	714,204	150,404	29,292	1,033,843
Accounts Payable	96,609	-	-	-	96,609
Environmental and Disposal Liabilities	-	-	-	1,357	1,357
Federal Employee Benefits - FECA Actuarial Liability	-	-	-	92,378	92,378
Other:					
Accrued Payroll and Benefits	39,641	-	-	-	39,641
Custodial Liabilities	-	-	176	-	176
Secure Rural Schools Act Payable	-	-	110,213	-	110,213
Deposit Funds	-	-	152,836	-	152,836
Deferred Revenue	1,977	-	-	-	1,977
Unfunded Annual Leave	-	-	-	57,365	57,365
Other Miscellaneous	-	-	-	-	-
Contingent Liabilities	-	-	-	1,033	1,033
Total Liabilities	<u>\$278,170</u>	<u>\$714,204</u>	<u>\$413,629</u>	<u>\$181,425</u>	<u>\$1,587,428</u>



September 30, 2006: (dollars in thousands)	Covered by Budgetary Resources		Not Covered by Budgetary Resources		Total
	Current	Non-current	Current	Non-current	
Intragovernmental:					
Accounts Payable	\$ 48,387	\$ -	\$ -	\$ -	\$ 48,387
Debt to Treasury	50,000	864,204	-	-	914,204
Other:					
Accrued Payroll and Benefits	3,305	-	-	-	3,305
Custodial Liabilities	-	-	279	-	279
Undistributed Collections	-	-	108,989	-	108,989
Deferred Revenue	7,530	-	-	-	7,530
Unfunded Payroll Liabilities	-	-	7,478	15,604	23,082
Due to Treasury Judgment Fund	-	-	-	12,253	12,253
Total Intragovernmental	109,222	864,204	116,746	27,857	1,118,029
Accounts Payable	36,353	-	-	-	36,353
Environmental and Disposal Liabilities	-	60	-	1,661	1,721
Federal Employee Benefits - FECA Actuarial Liability	-	-	-	94,915	94,915
Other:					
Accrued Payroll and Benefits	30,307	-	-	-	30,307
Custodial Liabilities	-	-	162	-	162
Secure Rural Schools Act Payable	-	-	106,719	-	106,719
Deposit Funds	-	-	131,401	-	131,401
Deferred Revenue	1,802	-	-	-	1,802
Unfunded Annual Leave	-	-	-	56,695	56,695
Contingent Liabilities	-	-	-	2,465	2,465
Total Liabilities	<u>\$177,684</u>	<u>\$864,264</u>	<u>\$355,028</u>	<u>\$183,593</u>	<u>\$1,580,569</u>

## Note 12 - Debt to Treasury

The Helium Fund's debt to Treasury is as follows:

(dollars in thousands)	2007	2006
Principal	\$251,650	\$251,650
Interest:		
Balance, Beginning of Year	662,554	822,554
Repayments	(150,000)	(160,000)
Balance, End of Year	<u>512,554</u>	<u>662,554</u>
Total Debt to Treasury	<u>\$764,204</u>	<u>\$914,204</u>

The sale of helium began in March 2003 and will continue until January 1, 2015.

These sales have significantly increased the BLM's Helium Fund revenue. Given this increased revenue, the BLM is planning to repay at least \$50 million each year, with exact amounts depending on annual revenues collected. The repayments will continue until the debt is repaid or until the helium sales cease, in which case the repayment plan may be revised.

Refer to note 1(I) for additional information about debt to Treasury.

### Note 13 - Intragovernmental Unfunded Payroll Liabilities

Liabilities for workers' compensation and unemployment compensation are amounts that will be paid to the Department of Labor, when billed, through the Department of the Interior's Office of the Secretary. An accrual is also provided for the amount that would be due under the Federal Insurance Contributions Act (FICA) related to unfunded annual leave. See note 1(J).

(dollars in thousands)	2007	2006
Workers' Compensation Payable	\$19,134	\$18,696
Unemployment Compensation Payable	1,830	1,417
Accrued FICA on Unfunded Annual Leave	<u>3,119</u>	<u>2,969</u>
Total Intragovernmental Unfunded Payroll Liabilities	<u>\$24,083</u>	<u>\$23,082</u>

### Note 14 - Contingent Liabilities and Environmental and Disposal Liabilities

**Environmental and Disposal.** The Comprehensive Environmental Response, Compensation, and Liability Act of 1980, the Clean Water Act, and the Resource Conservation and Recovery Act require Federal agencies to identify sites where: (1) hazardous substances have been released, or (2) hazardous wastes are or have been stored, treated, or disposed of. These acts also require responsible parties, including Federal agencies, to clean up releases of hazardous substances and to manage hazardous wastes.

The BLM faces major challenges in cleaning up hazardous substance releases on the public lands. Virtually all of these releases arise from non-BLM uses of the lands, such as illegal dumping, transportation spills, landfills, mineral development operations, pipelines, and airports. Significant portions of the costs of cleanup will be incurred by, or recovered from, responsible parties external to the BLM.

The BLM typically has a number of time-critical removal actions in progress as of the end of the fiscal year that will require future funding. This type of action is usually mitigated using only a preliminary engineering study, and generally, no viable responsible party is found, which results in the BLM bearing the expense.

Larger sites require one or more studies to determine the scope of the contamination and the cleanup strategy and techniques. Cleanup costs cannot be estimated until these studies are completed. Several cleanup options are generally suggested, along with the approximate range of cost of each, and BLM management determines the most appropriate course of action.

For these larger sites, commensurately greater efforts are made to identify and locate potentially responsible parties who can be held liable for the cost of the studies and cleanup. Litigation or enforcement is usually required to obtain payment or cleanup from potentially responsible parties.

The BLM has recognized an estimated liability of \$1.4 million and \$1.7 million for FY 2007 and FY 2006, respectively, for sites where the BLM either caused contamination or is otherwise involved in such a way that it may be legally liable for some portion of the cleanup and the environmental cleanup liability is probable and reasonably estimable. These estimates include the expected future cleanup costs, and for those sites where future liability is unknown, the cost of a study necessary to evaluate cleanup requirements.

In accordance with Federal accounting guidance, if an estimated liability is a range of amounts and no amount within the range is a better estimate than any other amount, the minimum amount in the range is recognized. The amounts recognized in the previous paragraph are the minimum amounts within the range noted for these estimated liabilities. The upper limits on the ranges of these liabilities are \$5.4 million and \$3.5 million for FY 2007 and FY 2006, respectively.

In addition to the limited number of cases discussed above where the BLM may be involved, other hazardous conditions exist on public lands for which the BLM might fund cleanup. Those cases where the BLM has



at least a reasonable possibility of incurring a liability, but where the liability does not meet the criteria to be recognized, range from \$51.7 million to \$174.9 million for FY 2007 and \$99.9 million to \$250.8 million for FY 2006.

**Judgments and Claims.** The BLM is a party to a number of lawsuits where the plaintiff is seeking monetary damages. The lawsuits can involve a variety of issues, including lost revenues when timber contracts are suspended because of environmental issues, injuries or death that occur on BLM-managed land or roads, issues regarding takings and suspension of mining claims, and other issues. In the opinion of the BLM's management and legal counsel, a reasonable estimate of the potential outcome or liability of most of these claims cannot be made. The resultant outcomes will not materially affect BLM's future financial condition. The U.S. Treasury's Judgment Fund would likely bear most of the costs incurred to pay any judgments or settlements.

At the end of FY 2007, 9 cases that were probable had reasonably estimable liabilities of \$1.0 million; at the end of FY 2006 there were 10 cases totaling \$2.5 million. These liabilities have been accrued

in the accompanying financial statements as of September 30, 2007, and September 30, 2006.

In accordance with Federal accounting guidance, if an estimated liability is a range of amounts and no amount within the range is a better estimate than any other amount, the minimum amount in the range is recognized. The amounts recognized in the previous paragraph are the minimum amounts within the range noted for these estimated liabilities. The upper limits on the ranges of these liabilities are \$16.9 million and \$3.1 million for FY 2007 and FY 2006, respectively.

In addition to these probable cases, at the end of FY 2007 there were 22 other cases where the likelihood of an outcome unfavorable to the BLM was reasonably possible. Of these 22 cases, those with reasonably estimable liabilities ranged from \$325,000 to \$964.8 million. At the end of FY 2006, there were 29 such cases ranging from \$70,000 to \$911.6 million.

Additional discussion of contingent liabilities is presented in note 1(K).

The accrued and potential environmental cleanup costs and contingent liabilities as of September 30, 2007, and September 30, 2006, are summarized as follows:

September 30, 2007 (dollars in thousands)	Accrued Liabilities	Total Range of Potential Liabilities	
		Lower End of Range	Upper End of Range
Environmental and Disposal Liabilities:			
Probable	\$1,357	\$1,357	\$5,395
Reasonably Possible	–	51,660	174,890
Contingent Liabilities:			
Probable	1,033	1,033	16,940
Reasonably Possible	–	325	964,842
<b>September 30, 2006</b> (dollars in thousands)			
Environmental and Disposal Liabilities:			
Probable	\$1,721	\$1,721	\$3,481
Reasonably Possible	–	99,939	250,776
Contingent Liabilities:			
Probable	2,465	2,465	3,080
Reasonably Possible	–	70	911,567

## Note 15 - Deposit Funds

The BLM processes collections from various sources for activities related to public land administration. These collections include mining claim fees, natural resource sales, and various other fees and payments. These amounts are held as deposits pending adjudication, resolution, or further classification. Deposit funds are considered a current liability.

Oil and Gas Leases consist primarily of lease deposits awaiting adjudication, but they can also include lease security deposits. Alaska Mineral Leases consist of money for the Kuukpik Village Corporation and interest on the investment of those funds. Lands and Realty Management includes, but is not limited to; land sales, leases, timber sales, and vegetative material sales. Mining and Other Mineral Materials include locatable minerals, leasable minerals, coal, and various leasing fees. Other includes overpayments waiting

for refund, declining deposit accounts, recreation, geothermal leases, and all other miscellaneous categories.

The BLM, on behalf of the Minerals Management Service (MMS), collects first-year rent and bonus deposits on lease agreements related to oil and gas, coal, and other leasable minerals. The BLM also collects lease security deposits related to this activity. These deposits are recorded not as revenue but as liabilities. Once the adjudication process is completed, the deposits are either refunded, or they are combined with additional receipts (which represents custodial activity) and transferred to the MMS. Lease security deposits are generally returned to the lessor upon the expiration of a lease. However, in certain circumstances, particularly if contamination cleanup is necessary, the BLM will keep a portion of the security deposit and record it as revenue.

(dollars in thousands)	2007	2006
Oil and Gas Leases	\$ 62,896	\$ 68,499
Alaska Mineral Leases	41,846	39,272
Lands and Realty Management	34,292	9,511
Mining and Other Mineral Materials	11,810	13,958
Other	<u>1,992</u>	<u>161</u>
Total Deposit Funds	<u>\$152,836</u>	<u>\$131,401</u>

## Note 16 - Leases

The BLM has operating leases for various types of space (real property) acquired through the GSA and directly from commercial sources, as well as operating leases for vehicles and miscellaneous equipment (personal property).

GSA charges rent that is intended to approximate commercial rental rates. For federally owned property, the Bureau generally does not execute an agreement with GSA, nor is there a formal expiration date. These leases typically have terms up to 20 years, and most contain provisions for

cancellation prior to the full term of the lease. GSA space leases are cancellable with 120 days notice. The Bureau is normally required to give notice to vacate, and the amount of these leases remains constant from year to year.

For nonfederally owned property, an occupancy agreement is executed, and again the Bureau may normally cancel these agreements with 120 days notice.

Both the Federal and Non-Federal Real Property amounts for 2008 are based on the actual annual rent for all property within these categories. For 2009 and subsequent years, the amounts are inflated each year at

2.5 percent over the previous year. As leases expire, they are not included in the following years' calculations.

Government vehicle and equipment rentals are included in personal property. Government vehicles are leased from GSA for indefinite periods of time, frequently exceeding 1 year. For 2008, the amounts are inflated at 2.4 percent over the previous year. For 2009 through 2012, the amounts are

inflated at 2.5 percent over the previous year. The Thereafter amounts are indeterminable through this process.

The aggregate of the Bureau's estimated real property rent payments to GSA for FY 2008 through FY 2012 and future years and the Bureau's future payments due to other parties under operating leases for real property and personal property is as follows:

Fiscal Year Ending September 30: (dollars in thousands)	Real Property		Personal Property		Total
	Federal	Non-Federal	Federal	Non-Federal	
2008	\$ 19,339	\$ 20,890	\$12,919	\$ 2,646	\$ 55,794
2009	19,322	18,666	13,241	2,712	53,941
2010	17,926	15,872	13,572	2,780	50,150
2011	18,127	15,450	13,912	2,849	50,338
2012	14,767	14,618	14,260	2,921	46,566
Thereafter	<u>19,925</u>	<u>105,183</u>	<u>—</u>	<u>—</u>	<u>125,108</u>
Total Future Lease Payments	<u>\$109,406</u>	<u>\$190,679</u>	<u>\$67,904</u>	<u>\$13,908</u>	<u>\$381,897</u>

## Note 17 - Earmarked Funds

The BLM implemented the provisions of SFFAS No. 27, *Identifying and Reporting Earmarked Funds*, effective October 1, 2005. Earmarked funds are specifically identified non-exchange revenues and other financing sources, including appropriations and net cost of operations, required by statute to be used for designated activities, benefits, or purposes, and must be accounted for separately from the Government's general revenues. These funds are reported separately on the Consolidated Balance Sheet and on the Consolidated Statement of Changes in Net Position.

The BLM is responsible for the management of 30 earmarked funds with a variety of purposes. The five funds presented on an individual basis represent the majority of the BLM activity within its earmarked funds with assets totaling \$2.8 billion. The other 25 earmarked funds with assets totaling \$201 million have been aggregated

in accordance with SFFAS No. 27, *Identifying and Reporting Earmarked Funds*.

### Investments in Treasury Securities.

The BLM invests funds in securities in the Southern Nevada Public Land Management Act and the Lincoln County Land Act. The BLM does not set aside assets to pay future expenditures associated with earmarked funds. The cash generated from earmarked funds is used by the U.S. Treasury for general Government purposes. Treasury securities issued to the earmarked funds are an asset to the earmarked funds and are presented as Investments. The U.S. Treasury will finance any future redemption of the securities by an earmarked fund in the same manner that all other Government expenditures are financed.

**Southern Nevada Public Land Management Act (SNPLMA).** SNPLMA, enacted in October 1998, authorizes the BLM to sell public land tracts that are interspersed with or adjacent to private land in the Las Vegas Valley. The BLM is authorized to invest 85 percent of the sales



in interest-bearing Treasury securities, while 10 percent of the proceeds are distributed to the Southern Nevada Water Authority and 5 percent to the State of Nevada's Education Fund. The revenues generated from the land sales and investments enable the BLM and other Government entities to acquire environmentally sensitive lands and build or maintain trails, day-use areas, campgrounds, etc., to benefit public land visitors.

**Helium Management.** Helium Fund sales are authorized by 50 U.S.C. 10, enacted March 1925, as amended by P.L. 86-777, dated September 13, 1960. The Helium Privatization Act of 1996 directed the DOI to cease producing, refining, and marketing helium. However, the Department is authorized to store, transport, and withdraw crude helium and maintain and operate crude helium storage facilities. The Helium Fund is also authorized to retain all receipts; however, amounts accumulated in excess of amounts the Secretary, Department of the Interior, deems necessary to carry out the Helium Act are paid to the Treasury and credited against any amounts borrowed from the Treasury.

**Federal Land Transaction Facilitation Act (FLTFA).** FLTFA, enacted July 2000, authorizes the BLM to sell or exchange

specific public lands. Receipts are used for the purchase of lands adjacent to federally designated areas. Not less than 80 percent of the amounts from the sales must be expended within the state in which the funds were generated. The remaining 20 percent may be used by the Secretary for administrative and other expenses necessary to carry out the program.

**Naval Oil Shale Reserve Restoration.** The Naval Oil Shale Reserve Restoration, enacted December 2002, authorizes the BLM to lease public land for the purpose of exploration for, and development and production of, petroleum located on public lands. Receipts are used for reimbursement of environmental restoration, waste management, and environmental compliance costs incurred by the United States.

**Lincoln County Conservation, Recreation, and Development Act.** The Lincoln County Land Act, enacted November 2004, authorizes the BLM to sell specific tracts of land in Lincoln County, Nevada. The BLM is authorized to invest 85 percent of the sales in interest-bearing Treasury securities, while 10 percent of the proceeds are distributed to Lincoln County for support of their schools and 5 percent to the State of Nevada's Education Fund.



## Earmarked Funds Note

(dollars in thousands)	Southern Nevada Public Land Management Act	Helium Management	Federal Land Transaction Facilitation Act	Naval Oil Shale Reserve Restoration	Lincoln County Land Act	Other Earmarked Funds	FY 2007
<b>Assets:</b>							
Fund Balance with Treasury	\$ 126,645	\$ 20,042	\$84,173	\$82,291	\$ 8	\$196,733	\$ 509,892
Investments, Net	2,120,657	–	–	–	46,666	–	2,167,323
Accounts Receivable, Net	1	5,721	–	–	–	3,848	9,570
General Property, Plant, and Equipment, Net	14,984	1,818	–	–	–	256	17,058
Inventory	20	252,907	51	–	–	13	252,991
<b>Total Assets</b>	<u>\$2,262,307</u>	<u>\$ 280,488</u>	<u>\$84,224</u>	<u>\$82,291</u>	<u>\$46,674</u>	<u>\$200,850</u>	<u>\$2,956,834</u>
<b>Liabilities:</b>							
Accounts Payable	\$ 93,130	\$ 896	\$ –	\$ –	\$ –	\$ 734	\$ 94,760
Debt to Treasury	–	764,204	–	–	–	–	764,204
Other Liabilities	252	704	17	75,822	8	115,189	191,992
<b>Total Liabilities</b>	<u>93,382</u>	<u>765,804</u>	<u>17</u>	<u>75,822</u>	<u>8</u>	<u>115,923</u>	<u>1,050,956</u>
<b>Net Position:</b>							
Unexpended Appropriations	–	–	–	–	–	8,310	8,310
Cumulative Results of Operations	2,168,925	(485,316)	84,207	6,469	46,666	76,617	1,897,568
<b>Total Net Position</b>	<u>2,168,925</u>	<u>(485,316)</u>	<u>84,207</u>	<u>6,469</u>	<u>46,666</u>	<u>84,927</u>	<u>1,905,878</u>
<b>Total Liabilities and Net Position</b>	<u>\$2,262,307</u>	<u>\$ 280,488</u>	<u>\$84,224</u>	<u>\$82,291</u>	<u>\$46,674</u>	<u>\$200,850</u>	<u>\$2,956,834</u>
<b>COST/REVENUE</b>							
Gross Costs	\$ 246,704	\$ 45,540	\$ 9,065	\$ 242	\$ (235)	\$291,477	\$ 592,793
Earned Revenue	(147,788)	(164,102)	–	–	(2,276)	(76,629)	(390,795)
<b>NET COST OF OPERATIONS</b>	<u>98,916</u>	<u>(118,562)</u>	<u>9,065</u>	<u>242</u>	<u>(2,511)</u>	<u>214,848</u>	<u>201,998</u>
<b>NET POSITION</b>							
Net Position, Beginning Balance	\$2,261,111	\$ (607,038)	\$86,129	\$ 6,673	\$44,731	\$63,424	\$1,855,030
Change in Accounting Principle	43,427	–	–	–	–	1,534	44,961
Net Position, Beginning Balance, As Adjusted	<u>2,304,538</u>	<u>(607,038)</u>	<u>86,129</u>	<u>6,673</u>	<u>44,731</u>	<u>64,958</u>	<u>1,899,991</u>
Appropriations Received	–	–	–	–	–	105,682	105,682
Royalties Retained	–	–	–	18,931	–	52,256	71,187
Transfers In/(Out) without Reimbursement	(37,054)	2,574	7,073	(18,897)	(580)	70,276	23,392
Imputed Financing from Costs Absorbed by Others	357	576	70	4	4	5,848	6,859
Other Budgetary Financing Sources	–	10	–	–	–	755	765
Net Cost of Operations	(98,916)	118,562	(9,065)	(242)	2,511	(214,848)	(201,998)
Change in Net Position	(135,613)	121,722	(1,922)	(204)	1,935	19,969	5,887
<b>NET POSITION, ENDING BALANCE</b>	<u>\$2,168,925</u>	<u>\$ (485,316)</u>	<u>\$84,207</u>	<u>\$ 6,469</u>	<u>\$46,666</u>	<u>\$ 84,927</u>	<u>\$1,905,878</u>

## Earmarked Funds Note

(dollars in thousands)	Southern Nevada Public Land Management Act	Helium Management	Federal Land Transaction Facilitation Act	Naval Oil Shale Reserve Restoration	Lincoln County Land Act	Other Earmarked Funds	FY 2006
<b>Assets:</b>							
Fund Balance with Treasury	\$ 673	\$ 21,023	\$86,159	\$63,564	\$ 54	\$176,228	\$ 347,701
Investments, Net	2,277,571	–	–	–	44,678	–	2,322,249
Accounts Receivable, Net	–	6,072	–	–	–	1,812	7,884
General Property, Plant, and Equipment, Net	9,386	2,220	–	–	–	–	11,606
Inventory	–	279,227	–	–	–	–	279,227
<b>Total Assets</b>	<u>\$2,287,630</u>	<u>\$ 308,542</u>	<u>\$86,159</u>	<u>\$63,564</u>	<u>\$44,732</u>	<u>\$178,040</u>	<u>\$2,968,667</u>
<b>Liabilities:</b>							
Accounts Payable	\$ 24,630	\$ 748	\$ –	\$ 1	\$ –	\$ 635	\$ 26,014
Debt to Treasury	–	914,204	–	–	–	–	914,204
Other Liabilities	1,889	628	30	56,890	1	113,981	173,419
<b>Total Liabilities</b>	<u>26,519</u>	<u>915,580</u>	<u>30</u>	<u>56,891</u>	<u>1</u>	<u>114,616</u>	<u>1,113,637</u>
<b>Net Position:</b>							
Unexpended Appropriations	–	–	–	(2)	–	6,270	6,268
Cumulative Results of Operations	2,261,111	(607,038)	86,129	6,675	44,731	57,154	1,848,762
<b>Total Net Position</b>	<u>2,261,111</u>	<u>(607,038)</u>	<u>86,129</u>	<u>6,673</u>	<u>44,731</u>	<u>63,424</u>	<u>1,855,030</u>
<b>Total Liabilities and Net Position</b>	<u>\$2,287,630</u>	<u>\$ 308,542</u>	<u>\$86,159</u>	<u>\$63,564</u>	<u>\$44,732</u>	<u>\$178,040</u>	<u>\$2,968,667</u>
<b>COST/REVENUE</b>							
Gross Costs	\$ 42,233	\$ 50,011	\$ 1,176	\$ 89	\$ 47	\$349,287	\$ 442,843
Earned Revenue	(745,529)	(169,197)	–	–	(1,903)	(180,081)	(1,096,710)
<b>NET COST OF OPERATIONS</b>	<u>(703,296)</u>	<u>(119,186)</u>	<u>1,176</u>	<u>89</u>	<u>(1,856)</u>	<u>169,206</u>	<u>(653,867)</u>
<b>NET POSITION</b>							
Net Position, Beginning Balance	\$1,657,537	\$ (731,194)	\$28,655	\$ 421	\$42,921	\$22,338	\$1,020,678
Change in Accounting Principle	–	–	–	–	–	(2,765)	(2,765)
Net Position, Beginning Balance, As Adjusted	<u>1,657,537</u>	<u>(731,194)</u>	<u>28,655</u>	<u>421</u>	<u>42,921</u>	<u>19,573</u>	<u>1,017,913</u>
Appropriations Received	–	–	–	–	–	105,974	105,974
Royalties Retained	–	–	–	27,674	–	40,935	68,609
Transfers In/(Out) without Reimbursement	(100,097)	4,420	58,580	(21,337)	(49)	61,244	2,761
Imputed Financing from Costs Absorbed by Others	375	564	70	4	3	4,900	5,916
Other Budgetary Financing Sources	–	(14)	–	–	–	4	(10)
Net Cost of Operations	<u>703,296</u>	<u>119,186</u>	<u>(1,176)</u>	<u>(89)</u>	<u>1,856</u>	<u>(169,206)</u>	<u>653,867</u>
Change in Net Position	<u>603,574</u>	<u>124,156</u>	<u>57,474</u>	<u>6,252</u>	<u>1,810</u>	<u>43,851</u>	<u>837,117</u>
<b>NET POSITION, ENDING BALANCE</b>	<u>\$2,261,111</u>	<u>\$ (607,038)</u>	<u>\$86,129</u>	<u>\$ 6,673</u>	<u>\$44,731</u>	<u>\$ 63,424</u>	<u>\$1,855,030</u>



**Note 18 - Total Cost**

Total cost as reported in the Consolidated Statements of Net Cost is detailed as follows:

(dollars in thousands)	2007	2006
Personnel Services and Benefits	\$1,199,991	\$ 996,986
Contractual Services	591,839	408,696
Contributions to States	358,021	330,722
Supplies, Materials, and Nondepreciable Assets	192,080	117,633
Rental, Communication and Utilities	110,409	74,833
Travel and Transportation	67,903	76,179
Stewardship Asset Costs	35,942	21,840
Depreciation	35,669	30,347
Cost of Goods Sold	27,002	25,053
Settlement of Claims	10,556	10,387
Printing and Reproduction	4,359	3,626
Bad Debt Expense	2,353	907
Heritage Asset Costs	1,933	1,617
Loss on Disposition of Assets, Net	586	243
Interest Expense	100	47
Change in Unfunded Liabilities:		
Treasury Judgment Fund	592	—
Workers' Compensation	334	696
FICA on Unfunded Annual Leave	(50)	152
Unemployment Compensation	(235)	105
Environmental and Disposal	(304)	(290)
Contingent Liabilities	(1,432)	1,000
Unfunded Annual Leave	(2,726)	(771)
Federal Employee Benefits - FECA Actuarial Liability	<u>(5,924)</u>	<u>(57)</u>
<b>Total Cost</b>	<b><u>\$2,628,998</u></b>	<b><u>\$2,099,951</u></b>



## Note 19 - Net Cost of Operations by Responsibility Segment

Statement of Federal Financial Accounting Standards No. 4, *Managerial Cost Accounting Concepts and Standards for the Federal Government*, requires agencies to report the full cost of programs, activities, and outputs. This standard includes requirements for accumulating and reporting costs on a regular basis for management use, establishing responsibility segments to match costs with outputs, determining the full cost of Government goods and services, recognizing the costs of services provided between agencies within the Government, and using appropriate costing methodologies to accumulate and assign costs to outputs.

The BLM has selected Activity-Based Costing (ABC) as its methodology to accumulate cost data for effective management use and to assign costs to outputs. The accumulated cost data is aggregated by program activity to reflect the following four Departmental Government Performance and Results Act (GPR) mission areas:

**Resource Protection:** Protect the nation's natural, cultural, and heritage resources.

**Resource Use:** Improve resource management to promote responsible use and sustain a dynamic economy.

**Recreation:** Improve recreation opportunities for America.

**Serving Communities:** Improve protection of lives, resources, and property.

Direct costs are reported under the appropriate GPR program activity, while administrative costs and various indirect costs are allocated to program activities in a manner appropriate for each type of cost.

In addition to reporting costs and revenue by the Departmental GPR mission areas, the BLM aggregates program costs and revenue by responsibility segment. These responsibility segments closely correspond with the Bureau's programs as set forth in the Budget of the United States Government.

The GPR requires Federal agencies to revise their strategic plans every 3 years. In accordance with GPR, DOI revised its strategic plan during FY 2007. The mission goals in the current strategic plan remain the same as those in the previous plan; however, composition of the programs and costs associated to the individual mission goals is different in the current strategic plan than in the previous one, and the performance measures within each of the mission goals changed. As a result, the FY 2007 Statement of Net Cost is not comparable to the FY 2006 Statement of Net Cost.

The BLM's net cost of operations by responsibility segment and GPR mission area follows:



Consolidated Statement of Net Cost of Operations  
for the Fiscal Year Ended September 30, 2007

(dollars in thousands)	Management of Lands and Resources	Wildland Fire Management	Miscellaneous Permanent Payment Accounts	Permanent Operating Funds	Oregon and California Grant Lands	Other	Elimination of Intra-Bureau Activity	FY 2007
<b>Resource Protection</b>								
Intragovernmental Cost	\$ 72,826	\$ 22,287	\$ 239	\$ 7,261	\$ 8,489	\$ 5,117	\$ (114)	\$ 116,105
Public Cost	197,806	84,208	2,690	60,468	22,592	16,780	—	384,544
Total Cost	270,632	106,495	2,929	67,729	31,081	21,897	(114)	500,649
Intragovernmental Earned Revenue	12,790	182	2,276	110,513	—	—	(114)	125,647
Public Earned Revenue	(88)	22	30	37,435	12	26,110	—	63,521
Total Earned Revenue	12,702	204	2,306	147,948	12	26,110	(114)	189,168
Net Cost /(Revenue)	257,930	106,291	623	(80,219)	31,069	(4,213)	—	311,481
<b>Resource Use</b>								
Intragovernmental Cost	49,935	11	18	17,056	10,000	3,392	—	80,412
Public Cost	127,838	(33)	400	28,073	33,266	47,347	—	236,891
Total Cost	177,773	(22)	418	45,129	43,266	50,739	—	317,303
Intragovernmental Earned Revenue	1,335	—	—	—	—	45	—	1,380
Public Earned Revenue	34,691	—	13,083	1,908	—	253,478	—	303,160
Total Earned Revenue	36,026	—	13,083	1,908	—	253,523	—	304,540
Net Cost /(Revenue)	141,747	(22)	(12,665)	43,221	43,266	(202,784)	—	12,763
<b>Recreation</b>								
Intragovernmental Cost	22,527	1,629	58	3,360	3,024	1,393	(2,964)	29,027
Public Cost	66,457	4,565	907	84,011	8,888	13,003	—	177,831
Total Cost	88,984	6,194	965	87,371	11,912	14,396	(2,964)	206,858
Intragovernmental Earned Revenue	4,181	—	—	—	—	—	(2,964)	1,217
Public Earned Revenue	—	—	—	14,545	—	9,365	—	23,910
Total Earned Revenue	4,181	—	—	14,545	—	9,365	(2,964)	25,127
Net Cost	84,803	6,194	965	72,826	11,912	5,031	—	181,731
<b>Serving Communities</b>								
Intragovernmental Cost	69,950	273,561	105	20,739	9,764	9,430	(61,665)	321,884
Public Cost	203,290	738,712	141,331	105,849	27,133	65,989	—	1,282,304
Total Cost	273,240	1,012,273	141,436	126,588	36,897	75,419	(61,665)	1,604,188
Intragovernmental Earned Revenue	37,456	9,008	—	—	—	42,140	(61,665)	26,939
Public Earned Revenue	(202)	21,198	5,278	2,650	—	6,827	—	35,751
Total Earned Revenue	37,254	30,206	5,278	2,650	—	48,967	(61,665)	62,690
Net Cost	235,986	982,067	136,158	123,938	36,897	26,452	—	1,541,498
<b>Totals</b>								
Intragovernmental Cost	215,238	297,488	420	48,416	31,277	19,332	(64,743)	547,428
Public Cost	595,391	827,452	145,328	278,401	91,879	143,119	—	2,081,570
Total Cost	810,629	1,124,940	145,748	326,817	123,156	162,451	(64,743)	2,628,998
Intragovernmental Earned Revenue	55,762	9,190	2,276	110,513	—	42,185	(64,743)	155,183
Public Earned Revenue	34,401	21,220	18,391	56,538	12	295,780	—	426,342
Total Earned Revenue	90,163	30,410	20,667	167,051	12	337,965	(64,743)	581,525
Net Cost/(Revenue) of Operations	\$720,466	\$1,094,530	\$125,081	\$159,766	\$123,144	\$(175,514)	\$ —	\$2,047,473



Consolidated Statement of Net Cost of Operations  
for the Fiscal Year Ended September 30, 2006

Notes to Principal Financial Statements

(dollars in thousands)	Management of Lands and Resources	Wildland Fire Management	Miscellaneous Permanent Payment Accounts	Permanent Operating Funds	Oregon and California Grant Lands	Other	Elimination of Intra-Bureau Activity	FY 2006
<b>Resource Protection</b>								
Intragovernmental Cost	\$ 55,285	\$ 19,777	\$ 278	\$ 1,775	\$ 4,406	\$ 2,132	\$ (3,485)	\$ 80,168
Public Cost	<u>167,115</u>	<u>67,489</u>	<u>3,189</u>	<u>4,640</u>	<u>11,832</u>	<u>11,374</u>	—	<u>265,639</u>
Total Cost	<u>222,400</u>	<u>87,266</u>	<u>3,467</u>	<u>6,415</u>	<u>16,238</u>	<u>13,506</u>	<u>(3,485)</u>	<u>345,807</u>
Intragovernmental Earned Revenue	8,472	431	1,902	81,521	—	—	(3,485)	88,841
Public Earned Revenue	—	26	—	664,040	—	94,053	—	758,119
Total Earned Revenue	<u>8,472</u>	<u>457</u>	<u>1,902</u>	<u>745,561</u>	<u>—</u>	<u>94,053</u>	<u>(3,485)</u>	<u>846,960</u>
Net Cost /(Revenue)	<u>213,928</u>	<u>86,809</u>	<u>1,565</u>	<u>(739,146)</u>	<u>16,238</u>	<u>(80,547)</u>	—	<u>(501,153)</u>
<b>Resource Use</b>								
Intragovernmental Cost	65,412	770	160	6,819	12,383	5,915	—	91,459
Public Cost	<u>169,373</u>	<u>4,115</u>	<u>829</u>	<u>18,447</u>	<u>38,344</u>	<u>60,568</u>	—	<u>291,676</u>
Total Cost	<u>234,785</u>	<u>4,885</u>	<u>989</u>	<u>25,266</u>	<u>50,727</u>	<u>66,483</u>	—	<u>383,135</u>
Intragovernmental Earned Revenue	1,372	—	—	—	—	65	—	1,437
Public Earned Revenue	<u>54,762</u>	—	<u>15,158</u>	<u>20</u>	<u>1</u>	<u>228,140</u>	—	<u>298,081</u>
Total Earned Revenue	<u>56,134</u>	—	<u>15,158</u>	<u>20</u>	<u>1</u>	<u>228,205</u>	—	<u>299,518</u>
Net Cost /(Revenue)	<u>178,651</u>	<u>4,885</u>	<u>(14,169)</u>	<u>25,246</u>	<u>50,726</u>	<u>(161,722)</u>	—	<u>83,617</u>
<b>Recreation</b>								
Intragovernmental Cost	22,369	2,050	62	3,607	2,926	1,383	—	32,397
Public Cost	<u>71,896</u>	<u>3,581</u>	<u>739</u>	<u>19,920</u>	<u>8,053</u>	<u>8,214</u>	—	<u>112,403</u>
Total Cost	<u>94,265</u>	<u>5,631</u>	<u>801</u>	<u>23,527</u>	<u>10,979</u>	<u>9,597</u>	—	<u>144,800</u>
Intragovernmental Earned Revenue	6,205	6	—	—	—	—	—	6,211
Public Earned Revenue	—	—	—	15,415	—	6,123	—	21,538
Total Earned Revenue	<u>6,205</u>	<u>6</u>	—	<u>15,415</u>	—	<u>6,123</u>	—	<u>27,749</u>
Net Cost	<u>88,060</u>	<u>5,625</u>	<u>801</u>	<u>8,112</u>	<u>10,979</u>	<u>3,474</u>	—	<u>117,051</u>
<b>Serving Communities</b>								
Intragovernmental Cost	64,900	218,102	5,298	23,404	8,951	8,492	(59,526)	269,621
Public Cost	<u>216,765</u>	<u>404,501</u>	<u>238,878</u>	<u>14,993</u>	<u>25,710</u>	<u>55,741</u>	—	<u>956,588</u>
Total Cost	<u>281,665</u>	<u>622,603</u>	<u>244,176</u>	<u>38,397</u>	<u>34,661</u>	<u>64,233</u>	<u>(59,526)</u>	<u>1,226,209</u>
Intragovernmental Earned Revenue	38,995	17,379	—	—	—	38,842	(59,526)	35,690
Public Earned Revenue	—	5,626	116,626	2,544	—	6,233	—	131,029
Total Earned Revenue	<u>38,995</u>	<u>23,005</u>	<u>116,626</u>	<u>2,544</u>	—	<u>45,075</u>	<u>(59,526)</u>	<u>166,719</u>
Net Cost	<u>242,670</u>	<u>599,598</u>	<u>127,550</u>	<u>35,853</u>	<u>34,661</u>	<u>19,158</u>	—	<u>1,059,490</u>
<b>Totals</b>								
Intragovernmental Cost	207,966	240,699	5,798	35,605	28,666	17,922	(63,011)	473,645
Public Cost	<u>625,149</u>	<u>479,686</u>	<u>243,635</u>	<u>58,000</u>	<u>83,939</u>	<u>135,897</u>	—	<u>1,626,306</u>
Total Cost	<u>833,115</u>	<u>720,385</u>	<u>249,433</u>	<u>93,605</u>	<u>112,605</u>	<u>153,819</u>	<u>(63,011)</u>	<u>2,099,951</u>
Intragovernmental Earned Revenue	55,044	17,816	1,902	81,521	—	38,907	(63,011)	132,179
Public Earned Revenue	<u>54,762</u>	<u>5,652</u>	<u>131,784</u>	<u>682,019</u>	<u>1</u>	<u>334,549</u>	—	<u>1,208,767</u>
Total Earned Revenue	<u>109,806</u>	<u>23,468</u>	<u>133,686</u>	<u>763,540</u>	<u>1</u>	<u>373,456</u>	<u>(63,011)</u>	<u>1,340,946</u>
Net Cost/(Revenue) of Operations	<u>\$723,309</u>	<u>\$696,917</u>	<u>\$115,747</u>	<u>\$(669,935)</u>	<u>\$112,604</u>	<u>\$(219,637)</u>	\$ —	<u>\$ 759,005</u>

## Note 20 - Change in HAZMAT Ownership

From 1995-2005, the BLM managed the Department's Central Hazardous Materials (HAZMAT) fund. This meant the BLM received the annual appropriation from Congress and transferred dollars, via allocation transfers (parent/child relationship), to other DOI bureaus. The Department of the Interior's FY 2006 appropriation bill moved the management of the HAZMAT fund from the BLM to the Department of the Interior's Office of the Secretary, effective October 1, 2005. As a result, the BLM removed financial records related to the parent account of HAZMAT from its accounting system, including FY 2006 beginning balances. Conversely, the Office of the Secretary placed these records into its accounting system and began managing the HAZMAT fund on October 1, 2005.

When the management of the HAZMAT fund became the responsibility of the Department, the BLM became a child to DOI for the fund. As a result, the BLM established a new HAZMAT fund to account for the allocation transfers it receives from OS.

## Note 21 - Imputed Financing from Costs Absorbed by Others

SFFAS No. 5, *Accounting for Liabilities of the Federal Government*, establishes accounting and reporting standards for liabilities relating to the Federal employee benefit programs, including retirement, health benefits, and life insurance. The Office of Personnel Management (OPM) is responsible for paying the cost of these benefits.

Under the provisions of SFFAS No. 5, employer agencies must recognize the cost of pensions and other retirement benefits during their employees' active years of service. Agencies must also recognize the current annual cost of the Federal Employee Health Benefit (FEHB) program and the Federal Employee Group Life Insurance (FGLI) program.

OPM actuaries have provided the employer agencies with rates for calculating the estimated cost of pension and other retirement benefits. They have also provided rates for use in calculating the cost of FEHB and FGLI. The Department provided labor cost data for the BLM to use in applying the OPM rates to calculate the total imputed cost of these benefits. While the BLM's funds are not used to pay the cost of these personnel benefits, they are a BLM operating expense that must be reported to accurately reflect the cost of doing business. The use of OPM funds for this purpose is an imputed source of financing for the BLM.

The Solicitor's Office of the Department of the Interior incurs expenses for attorneys' time and related nonattorney costs on behalf of all DOI bureaus. The Department provided a calculation of the amount of imputed financing source for each bureau, based on the number of employees and legal cases at each bureau.

The Department of the Treasury Judgment Fund is another imputed source of financing. The BLM is a party to numerous lawsuits where the plaintiff is seeking monetary damages. In many cases, when the BLM is required to pay the plaintiff either as a result of settlement or adjudication, payment is actually made from the Judgment Fund rather than the BLM's appropriations. Treasury provides agencies with information regarding the month and amount of payments actually made, at which time the BLM recognizes the imputed financing source and cost.

(dollars in thousands)	2007	2006
Imputed Financing from OPM:		
Retirement Benefits	\$20,757	\$23,458
Health Benefits and Life Insurance	<u>48,746</u>	<u>46,334</u>
	69,503	69,792
Imputed Financing from DOI		
Solicitor's Office	9,457	9,411
Imputed Financing from Treasury		
Department's Judgment Fund	<u>561</u>	<u>539</u>
Total Imputed Financing from Costs Absorbed by Others	<u>\$79,521</u>	<u>\$79,742</u>

The Total Imputed Financing from Costs Absorbed by Others amount does not agree with the Consolidated Statements of Changes in Net Position Imputed Financing from Costs Absorbed by Others amount due to a change in accounting principle (see note 2).

## Note 22 - Combined Statements of Budgetary Resources

### Apportionment Categories of Obligations Incurred

All of the BLM's FY 2007 and FY 2006 funds were appropriated under Category B and were subject to annual apportionment by OMB.

### Permanent Indefinite Appropriations

Permanent indefinite appropriations result from provisions in permanent public laws that authorize the BLM to retain certain receipts. These funds do not require annual appropriation action by Congress; they are subject to the authorities of permanent public law and are available until expended. As of September 30, 2007, the Bureau had 31 permanent indefinite appropriations, which are primarily used for special programs and projects. Some examples include the Southern Nevada Public Land Management Act, Federal Land Transaction Facilitation Act, Recreation Fee Demonstration Program, and Timber Pipeline Restoration Fund.

### Appropriations Received

The Appropriations Received line item on the Consolidated Statements of Changes in Net Position differs from that reported on the Combined Statements of Budgetary Resources because Appropriations Received on the Consolidated Statements of Changes in Net Position do not include appropriated dedicated and earmarked receipts. Dedicated and earmarked receipts are accounted for as either exchange or non-exchange revenue.

### Total Undelivered Orders

The BLM's total undelivered orders balances as of September 30, 2007, and

September 30, 2006, were \$1.8 billion and \$1.4 billion, respectively.

### Total Obligated Balance, Net, End of Year

Net obligated balances contain amounts related to undelivered orders. The total net obligated balances for the end of fiscal years 2007 and 2006 were approximately \$1.9 billion and \$1.5 billion, respectively.

### Legal Arrangements Affecting the Use of Unobligated Balances of Budget Authority

All of the Bureau's funding needs are authorized in a number of appropriation laws, which are a combination of current and permanent authority. Current authority includes funding that is legislatively reauthorized each fiscal year, while permanent authority is issued once and remains in effect in future fiscal years until revised or rescinded. BLM's Treasury accounts are classified as no-year, which signifies that the Bureau may use its fiscal year-end unobligated resources to execute its operating programs in subsequent fiscal years.

All appropriation language contains specific and/or general authorizations. These authorizations may be defined as legislative parameters that frame the funding and Federal agency policy for executing programs. For example, P.L. 110-5, the appropriation law that was the major source of funding for the BLM's operating programs in FY 2007, directs that a definite sum of the Bureau's wildland firefighting authority be applied to the construction of fire facilities. These authorizations also direct how the Bureau must treat other assets it may acquire as a result of executing its operating programs. Since both specific and general authorizations are integral components of all legislation, the BLM does not view them as restrictions or legal encumbrances on its available funding.

### Differences between Amounts Reported in the Statements of Budgetary Resources and Amounts Reported in the Budget of the U.S. Government

The Combined Statements of Budgetary Resources have been prepared to coincide



with the amounts shown in the Budget of the United States Government (President's Budget). The actual amounts for FY 2006 in the President's Budget had not been published at the time these financial statements were prepared. The President's Budget containing the actual FY 2006 amounts was released in February 2007, and the FY 2008 amounts are estimated to be released in February 2007. The President's Budget can be viewed at the OMB website (<http://www.whitehouse.gov/omb>).

Budgetary resources and the status of budgetary resources presented in the

Combined Statement of Budgetary Resources for the fiscal year ended September 30, 2006, differ from the amounts presented in the FY 2006 column of the FY 2008 Budget of the United States Government because of rounding and publication timing differences. Rounding differences are the result of the President's Budget being rounded in millions of dollars while the Statement of Budgetary Resources is rounded in thousands of dollars. The specific line items affected by this adjustment are as follows:

September 30, 2006 (dollars in millions)	Amount per Statement of Budgetary Resources	Amount per President's Budget	Difference
<b>Budgetary Resources:</b>			
Unobligated Balance, Beginning of Year	\$1,220	\$1,219	1
Recoveries of Prior Year Obligations	128	127	1
<b>Budget Authority:</b>			
Appropriations Received	3,032	3,030	2
Spending Authority From Offsetting Collections	333	332	1
Total Budgetary Resources	4,778	4,774	4
<b>Status of Budgetary Resources:</b>			
Obligations Incurred	2,863	2,861	2
Unobligated Balance Available	1,915	1,913	2
Total Status of Budgetary Resources	4,778	4,774	4
<b>Change in Obligated Balance:</b>			
Obligated Balance, Net Beginning of Year	1,445	1,444	1
Obligations Incurred, Net	2,863	2,861	2
Less: Gross Outlays	(2,673)	(2,671)	(2)
Less: Recoveries of Prior Year Unpaid Obligations	(128)	(127)	(1)
Change in Uncollected Customer Payments from Federal Sources	(7)	(6)	(1)
<b>Net Outlays:</b>			
Gross Outlays	2,673	2,671	2
Less: Offsetting Collections	(327)	(326)	(1)

### Note 23 – Reconciliation of Net Cost of Operations (Proprietary) to Budget (Formerly the Statement of Financing)

SFFAS No. 7 “requires a reconciliation of proprietary and budgetary information.” The objective of this information is to provide an explanation of the differences between budgetary and financial (proprietary) accounting. This is

accomplished by a reconciliation of budgetary obligations and non-budgetary resources available to the BLM with its net cost of operations.

In FY 2006, this reconciliation was achieved by presenting the Statement of Financing as a Basic Financial Statement. In FY 2007, a change in OMB Circular A-136 required Federal agencies to disclose the reconciliation of net cost of operations to budgetary accounts in a note to the financial statements.

Reconciliation of Net Cost of Operations (Proprietary) to Budget (Formerly the Statement of Financing)  
for the Fiscal Years Ended September 30, 2007 and 2006  
(dollars in thousands)

	2007	2006
<b>Resources Used to Finance Activities:</b>		
Budgetary Resources Obligated:		
Obligations Incurred	\$3,315,239	\$2,862,804
Spending Authority from Offsetting Collections and Recoveries	(431,958)	(461,418)
Obligations Net of Offsetting Collections and Recoveries	2,883,281	2,401,386
Offsetting Receipts	(650,952)	(1,371,828)
Net Obligations	<u>2,232,329</u>	<u>1,029,558</u>
Other Resources:		
Transfers In/(Out) Without Reimbursement, Net	5,951	(1,320)
Imputed Financing From Costs Absorbed by Others (Note 21)	82,779	79,666
Net Other Resources Used to Finance Activities	<u>88,730</u>	<u>78,346</u>
<b>Total Resources Used to Finance Activities</b>	<u>2,321,059</u>	<u>1,107,904</u>
<b>Resources Used to Finance Items Not Part of the Net Cost of Operations:</b>		
Change in Budgetary Resources Obligated for Goods and Services Ordered But Not Yet Provided	(411,217)	(47,936)
Decrease in Unfilled Customer Orders	(2,001)	-
Resources That Fund Expenses Recognized in Prior Periods	(150,916)	(160,446)
Offsetting Receipts Not Part of the Net Cost of Operations	335,114	360,048
Resources That Finance the Acquisition of Assets	(72,137)	(27,900)
Allocation Transfer Reconciling Item, Parent Accounts	29,169	(406,972)
Other Resources That Did Not Affect Net Cost of Operations	(27,746)	(35,507)
<b>Total Resources Used to Finance Items Not Part of the Net Cost of Operations</b>	<u>(299,734)</u>	<u>(372,713)</u>
<b>Total Resources Used to Finance the Net Cost of Operations</b>	<u>2,021,325</u>	<u>735,191</u>
<b>Components of the Net Cost of Operations That Did Not Require or Generate Resources in the Current Period:</b>		
Components Requiring or Generating Resources in Future Periods:		
Increase in Annual Leave Liability	666	-
Increase in Other Unfunded Liabilities	3,116	1,807
Increase in Exchange Revenue Receivable from the Public	(12,251)	(724)
Total Components Requiring or Generating Resources in Future Periods	<u>(8,469)</u>	<u>1,083</u>
Components Not Requiring or Generating Resources:		
Depreciation and Amortization	32,829	15,659
Revaluation of Assets or Liabilities	(586)	(242)
Allocation Transfer Reconciling Item, Child Accounts	21	6,407
Bad Debt Expense	2,353	907
Total Components Not Requiring or Generating Resources	<u>34,617</u>	<u>22,731</u>
<b>Total Components of the Net Cost of Operations That Did Not Require or Generate Resources in the Current Period</b>	<u>26,148</u>	<u>23,814</u>
<b>Net Cost of Operations</b>	<u>\$2,047,473</u>	<u>\$ 759,005</u>

The accompanying notes are an integral part of these financial statements.

Supplementary Statement of Budgetary Resources by Major Budget Accounts  
for the Fiscal Year Ended September 30, 2007  
(dollars in thousands)

	Management of Lands and Resources	Wildland Fire Management	Miscellaneous Permanent Payment Accounts	Permanent Operating Funds	Oregon and California Grant Lands	Other	Combined
<b>Budgetary Resources:</b>							
Unobligated Balance, Beginning of Year	\$ 41,176	\$ 153,277	\$ 4,832	\$1,560,395	\$2,184	\$ 153,685	\$1,915,549
Recoveries of Prior Year Unpaid Obligations	22,063	20,548	219	59,421	1,946	3,768	107,965
Budget Authority:							
Appropriations Received	866,911	853,355	8,253	219,631	108,991	220,152	2,277,293
Spending Authority from Offsetting Collections:							
Earned:							
Collected	85,988	22,481	—	—	—	212,477	320,946
Receivable from Federal Sources	6,322	(864)	—	—	—	(411)	5,047
Change in Unfilled Customer Orders:							
Advance Received	(34)	(144)	—	—	—	(1,123)	(1,301)
Without Advance from Federal Sources	1,563	(1,507)	—	—	—	(755)	(699)
Total Budget Authority	960,750	873,321	8,253	219,631	108,991	430,340	2,601,286
Nonexpenditure Transfers, Net	—	18,282	—	39	—	2,415	20,736
<b>Total Budgetary Resources</b>	<b>\$1,023,989</b>	<b>\$1,065,428</b>	<b>\$13,304</b>	<b>\$1,839,486</b>	<b>\$113,121</b>	<b>\$ 590,208</b>	<b>\$4,645,536</b>
<b>Status of Budgetary Resources:</b>							
Obligations Incurred:							
Direct	\$ 921,932	\$ 995,251	\$ 9,587	\$ 778,845	\$109,403	\$ 212,166	\$3,027,184
Reimbursable	57,131	15,350	—	—	—	215,574	288,055
Total Obligations Incurred	979,063	1,010,601	9,587	778,845	109,403	427,740	3,315,239
Unobligated Balance Available, Apportioned	44,926	54,827	3,717	1,060,641	3,718	162,468	1,330,297
<b>Total Status of Budgetary Resources</b>	<b>\$1,023,989</b>	<b>\$1,065,428</b>	<b>\$13,304</b>	<b>\$1,839,486</b>	<b>\$113,121</b>	<b>\$ 590,208</b>	<b>\$4,645,536</b>
<b>Change in Obligated Balance:</b>							
Obligated Balance, Net:							
Obligations, Beginning of Year	\$ 237,859	\$ 275,234	\$ 5,644	\$ 940,823	\$ 32,313	\$ 57,084	\$1,548,957
Less: Uncollected Customer Payments from Federal Sources, Beginning of Year	(31,860)	(9,151)	—	—	—	(7,152)	(48,163)
Total Obligated Balances, Net, Beginning of Year	205,999	266,083	5,644	940,823	32,313	49,932	1,500,794
Obligations Incurred, Net	979,063	1,010,601	9,587	778,845	109,403	427,740	3,315,239
Less: Gross Outlays	(918,253)	(978,378)	(7,421)	(281,265)	(106,635)	(427,077)	(2,719,029)
Less: Recoveries of Prior Year Unpaid Obligations	(22,063)	(20,548)	(219)	(59,421)	(1,946)	(3,768)	(107,965)
Change in Uncollected Customer Payments from Federal Sources	(7,885)	2,371	—	—	—	1,166	(4,348)
<b>Total Obligated Balance, Net, End of Year</b>	<b>\$ 236,861</b>	<b>\$ 280,129</b>	<b>\$ 7,591</b>	<b>\$1,378,982</b>	<b>\$ 33,135</b>	<b>\$ 47,993</b>	<b>\$1,984,691</b>
<b>Obligated Balance, Net, End of Year:</b>							
Unpaid Obligations	\$ 276,606	\$ 286,909	\$ 7,591	\$1,378,982	\$ 33,135	\$ 53,979	\$2,037,202
Less: Uncollected Customer Payments from Federal Sources	(39,745)	(6,780)	—	—	—	(5,986)	(52,511)
<b>Total Obligated Balance, Net, End of Year</b>	<b>\$ 236,861</b>	<b>\$ 280,129</b>	<b>\$ 7,591</b>	<b>\$1,378,982</b>	<b>\$ 33,135</b>	<b>\$ 47,993</b>	<b>\$1,984,691</b>
<b>Net Outlays:</b>							
Net Outlays							
Gross Outlays	\$ 918,253	\$ 978,378	\$ 7,421	\$ 281,265	\$106,635	\$ 427,077	\$2,719,029
Less: Offsetting Collections	(85,954)	(22,337)	—	—	—	(211,354)	(319,645)
Less: Distributed Offsetting Receipts	—	—	—	(213,686)	—	(437,266)	(650,952)
<b>Net Outlays</b>	<b>\$ 832,299</b>	<b>\$ 956,041</b>	<b>\$ 7,421</b>	<b>\$ 67,579</b>	<b>\$106,635</b>	<b>\$(221,543)</b>	<b>\$1,748,432</b>



Supplementary Statement of Budgetary Resources by Major Budget Accounts  
for the Fiscal Year Ended September 30, 2006  
(dollars in thousands)

	Management of Lands and Resources	Wildland Fire Management	Miscellaneous Permanent Payment Accounts	Permanent Operating Funds	Oregon and California Grant Lands	Other	Combined
<b>Budgetary Resources:</b>							
Unobligated Balance, Beginning of Year	\$ 33,192	\$ 128,310	\$ 3,871	\$ 892,762	\$ 1,719	\$ 164,234	\$ 1,224,088
Change in Central HAZMAT Ownership	–	–	–	–	–	(4,286)	(4,286)
Recoveries of Prior Year Unpaid Obligations	24,327	24,927	418	71,721	1,669	4,833	127,895
Budget Authority:							
Appropriations Received	860,791	866,564	8,868	862,343	110,070	322,411	3,031,047
Spending Authority from Offsetting Collections:							
Earned:							
Collected	89,295	27,813	–	–	–	212,289	329,397
Receivable from Federal Sources	1,674	(104)	–	–	–	205	1,775
Change in Unfilled Customer Orders:							
Advance Received	–	(2,400)	–	–	–	(4)	(2,404)
Without Advance from Federal Sources	7,208	(2,450)	–	–	–	(4)	4,754
Total Budget Authority	958,968	889,423	8,868	862,343	110,070	534,897	3,364,569
Nonexpenditure Transfers, Net	–	97,366	–	116	–	(5,000)	92,482
Permanently Not Available Pursuant to Public Law	(13,194)	(11,278)	–	–	(1,619)	(304)	(26,395)
<b>Total Budgetary Resources</b>	<b>\$ 1,003,293</b>	<b>\$ 1,128,748</b>	<b>\$ 13,157</b>	<b>\$ 1,826,942</b>	<b>\$ 111,839</b>	<b>\$ 694,374</b>	<b>\$ 4,778,353</b>
<b>Status of Budgetary Resources:</b>							
Obligations Incurred:							
Direct	\$ 899,949	\$ 951,287	\$ 8,325	\$ 266,547	\$ 109,655	\$ 540,689	\$ 2,776,452
Reimbursable	62,168	24,184	–	–	–	–	86,352
Total Obligations Incurred	962,117	975,471	8,325	266,547	109,655	540,689	2,862,804
Unobligated Balance Available, Apportioned	41,176	153,277	4,832	1,560,395	2,184	153,685	1,915,549
<b>Total Status of Budgetary Resources</b>	<b>\$ 1,003,293</b>	<b>\$ 1,128,748</b>	<b>\$ 13,157</b>	<b>\$ 1,826,942</b>	<b>\$ 111,839</b>	<b>\$ 694,374</b>	<b>\$ 4,778,353</b>
<b>Change in Obligated Balance:</b>							
Obligated Balance, Net:							
Obligations, Beginning of Year	\$ 237,296	\$ 298,214	\$ 5,419	\$ 877,885	\$ 28,461	\$ 59,462	\$ 1,506,737
Change in Central HAZMAT Ownership	–	–	–	–	–	(20,073)	(20,073)
Less: Uncollected Customer Payments from Federal Sources, Beginning of Year	(22,978)	(11,705)	–	–	–	(6,951)	(41,634)
Total Obligated Balances, Net, Beginning of Year	214,318	286,509	5,419	877,885	28,461	32,438	1,445,030
Obligations Incurred, Net	962,117	975,471	8,325	266,547	109,655	540,689	2,862,804
Less: Gross Outlays	(937,226)	(973,525)	(7,682)	(131,888)	(104,134)	(518,160)	(2,672,615)
Less: Recoveries of Prior Year Unpaid Obligations	(24,327)	(24,926)	(418)	(71,721)	(1,669)	(4,835)	(127,896)
Change in Uncollected Customer Payments from Federal Sources	(8,883)	2,554	–	–	–	(200)	(6,529)
<b>Total Obligated Balance, Net, End of Year</b>	<b>\$ 205,999</b>	<b>\$ 266,083</b>	<b>\$ 5,644</b>	<b>\$ 940,823</b>	<b>\$ 32,313</b>	<b>\$ 49,932</b>	<b>\$ 1,500,794</b>
<b>Obligated Balance, Net, End of Year:</b>							
Unpaid Obligations	\$ 237,859	\$ 275,234	\$ 5,644	\$ 940,823	\$ 32,313	\$ 57,084	\$ 1,548,957
Less: Uncollected Customer Payments from Federal Sources	(31,860)	(9,151)	–	–	–	(7,152)	(48,163)
<b>Total Obligated Balance, Net, End of Year</b>	<b>\$ 205,999</b>	<b>\$ 266,083</b>	<b>\$ 5,644</b>	<b>\$ 940,823</b>	<b>\$ 32,313</b>	<b>\$ 49,932</b>	<b>\$ 1,500,794</b>
<b>Net Outlays:</b>							
Net Outlays							
Gross Outlays	\$ 937,226	\$ 973,525	\$ 7,682	\$ 131,888	\$ 104,134	\$ 518,160	\$ 2,672,615
Less: Offsetting Collections	(89,296)	(25,413)	–	–	–	(212,284)	(326,993)
Less: Distributed Offsetting Receipts	–	–	–	(753,009)	–	(618,819)	(1,371,828)
<b>Net Outlays</b>	<b>\$ 847,930</b>	<b>\$ 948,112</b>	<b>\$ 7,682</b>	<b>\$ (621,121)</b>	<b>\$ 104,134</b>	<b>\$ (312,943)</b>	<b>\$ 973,794</b>

# Required Supplementary Information: Stewardship Lands<sup>1</sup> and Heritage Assets Report

## Stewardship Lands

The BLM has been entrusted with the multiple-use management of and stewardship responsibility for the natural resources on and beneath millions of acres of America's public lands. The Federal Land Policy and Management Act (FLPMA) of 1976 (43 U.S.C. 1701 et seq., P.L. 94-579, sec.103(e)) defines public lands as “. . . any land and interest in land owned by the United States within the several States and administered by the Secretary of the Interior through the Bureau of Land Management, without regard to how the United States acquired ownership, except: (1) lands located on the Outer Continental Shelf; and (2) lands held for the benefit of Indians, Aleuts, and Eskimos.”

Most of the public lands for which the BLM serves as steward were once a part of the approximately 1.8 billion acres of “public domain” lands acquired by the nation

between 1781 and 1867. Lands managed by the BLM represent about one-eighth of America's land surface, or approximately 42 percent of the lands under Federal ownership. The BLM manages lands in 30 states, but most of the public lands are located in Alaska and the 11 western states, encompassing Arizona, California, Colorado, Idaho, Montana, New Mexico, Nevada, Oregon, Utah, Washington, and Wyoming.

## Relationship of Stewardship Lands<sup>2</sup> to BLM's Mission

It is the mission of the BLM to sustain the health, diversity, and productivity of the public lands' resources for the use and enjoyment of present and future generations. These public lands are all stewardship lands;<sup>3</sup> the management of the resources related to the land is the essence of the BLM's mission.

The BLM is guided by the principles of multiple use<sup>4</sup> and sustained yield in managing the natural resources on the public lands. All of the public lands, including those described as heritage assets in this report, are managed for multiple use and are, in fact, used for multiple (more than one) resource values.

Land use plans, developed with public involvement, are the mechanism by which

<sup>1</sup> The Federal Accounting Standards Advisory Board (FASAB) defines “Stewardship Land” as “land and land rights owned by the Federal Government but not acquired for or in connection with items of general PP&E [Property, Plant, and Equipment].” “Acquired for or in connection with” means “land acquired with the intent to construct general PP&E and land acquired in combination with general PP&E, including not only land used as the foundation but also adjacent land considered to be the general PP&E's common grounds.”

<sup>2</sup> The FASAB defines “[l]ands’ as the solid part of the surface of the earth. Excluded from the definition are the natural resources (that is, depletable resources, such as mineral deposits and petroleum; renewable resources, such as timber; and the outer-continental shelf resources) related to land.”

<sup>3</sup> The FASAB presently has an active project to address standards for natural resources, for which it is considering developing individual standards for each type of natural resources separately. To begin the project, FASAB will be addressing oil and gas resources. The framework for the oil and gas resource phase of the project will be used as a model when addressing the other types or logical sets of natural resources (e.g., timber, grazing land, and solid leasable minerals) in subsequent phases of the project.

<sup>4</sup> The term “multiple use” is defined in section 103(c) of FLPMA as “. . . the management of the public lands and their various resource values so that they are utilized in the combination that will best meet the present and future needs of the American people; making the most judicious use of the land for some or all of the resources or related services over areas large enough to provide sufficient latitude for periodic adjustments in use to conform to changing needs and conditions; the use of some land for less than all of the resources; a combination of balanced and diverse resource uses that takes into account the long-term needs of future generations for renewable and nonrenewable resources, including, but not limited to, recreation, range, timber, minerals, watershed, wildlife and fish, and natural scenic, scientific and historical values; and harmonious and coordinated management of the various resources without permanent impairment of the productivity of the land and the quality of the environment with consideration being given to the relative values of the resources and not necessarily to the combination of uses that will give the greatest economic return or the greatest unit output.”

the multiple-use concept is put into practice. The BLM is required to develop, maintain, and, when appropriate, revise land use plans that provide for the use of the public lands by tracts or areas. The BLM is also required to “use and observe the principles of multiple use and sustained yield” in the developing and revising of land use plans.

The multiple uses of BLM-managed lands include one or more of the following uses: domestic livestock grazing, fish and wildlife development and utilization, mineral exploration and production, rights-of-way, outdoor recreation, and timber production.<sup>5</sup>

### Use of Stewardship Lands

The BLM reports its stewardship land by 12 “administrative” states having boundaries

that largely follow one or more political state lines. Each administrative state is further divided into administrative management areas. Specific land use plans are developed and implemented to manage the land’s resources for both present and the future periods at the administrative management area level. Table 18 provides the numbers of administrative management areas for 2007.

### Goals and Principles for Managing Stewardship Lands

The overarching goals and principles by which the public lands are managed are contained in FLPMA, which provides the basis for planning and managing the uses of resources on the public lands for the American people. In section 102, FLPMA

<sup>5</sup> **Domestic Livestock Grazing:** The BLM issues grazing permits primarily for cattle and sheep, but also issues permits for domestic horses, goats, bison, and reindeer. Livestock grazing is managed on millions of acres of the public lands—about 90 percent of the public lands in the 11 western states and about 6 percent in Alaska. Livestock grazing is managed in a way that allows the harvest of forage resources while maintaining wildlife habitat, meeting the requirements of the Clean Water Act, and providing for scenic values and recreational activities. Permits are issued that authorize appropriate grazing levels, season of use, and duration of use by livestock in the multiple-use context.

**Fish and Wildlife Development and Utilization:** Wildlife and fish habitat spans all of the public lands and waterways. The BLM’s wildlife and fisheries management program works to maintain and restore fish and wildlife and their habitats by conserving and monitoring habitat conditions, conducting inventories of fish and wildlife resources, and developing cooperative management plans, while providing for environmentally responsible recreation and commercial uses. The BLM works closely with state wildlife management agencies that are responsible for managing fish and wildlife populations that occur on BLM lands. The BLM lands support habitat for all North American big game species, waterfowl, shorebirds, upland game birds, and a large number of nongame birds, mammals, reptiles, amphibians, and fish.

**Mineral Exploration and Production:** Energy and mineral resources generate the highest economic production values among commercial uses of both BLM-administered public lands (surface) and Federal minerals (subsurface) estates. The BLM provides for the American people’s use of the minerals that reside on or under the surface area of the public lands, including both fluid and solid minerals. **Fluid Minerals:** The BLM is the Federal agency responsible for the regulating the extraction of oil and gas from the Federal mineral estate. This includes the approval of geophysical operations, leasing of lands for oil and gas development, the drilling of oil and gas wells, oil and gas pipelines, and the abandonment of oil and gas wells. After approval of an operation is granted, the BLM inspects all aspects of these operations to ensure compliance with all laws and approved requirements. The BLM also ensures that oil and gas resources are not drained from federal lands. **Solid Minerals:** There are three basic types of solid minerals on Federal lands: (1) locatable (subject to the General Mining Law of 1872, as amended), (2) leasable (subject to various mineral leasing acts, such as the Mineral Leasing Act of 1920, as amended), and (3) salable (subject to mineral materials disposed of under the Materials Act of 1947, as amended).

**Rights-of-Way:** Rights-of-way include easements, leases, permits, or licenses to occupy, use, or traverse public lands. The BLM has been granted the authority to grant, issue, or renew rights-of-way over, upon, under, or through the public lands for various purposes.

**Outdoor Recreation:** The multiple-use mission of the BLM is to serve the diverse outdoor recreation demands of visitors while helping them to maintain the sustainable conditions needed to conserve their lands and their recreation choices. The BLM’s vision is to provide the stewardship that will open up new opportunities for people to recreate responsibly in their great outdoors. The goal is to provide opportunities for environmentally responsible recreation.

**Timber Production:** Timber production is the art and science of culturing (cultivating, planting, fertilizing, protecting, thinning, and ultimately harvesting) trees to use them for the production of lumber or paper. Timber production is just one aspect of the Bureau’s overall forest management program. It is practiced only on those lands deemed suitable to produce timber on a sustained yield basis (i.e., commercial forest lands) and where it is compatible with other land management objectives as outlined in the applicable land use plan.



**Table 18.** Stewardship Lands Managed by the BLM

Category By Use	BLM Administrative States <sup>1</sup>	Administrative Management Areas				
		2006 Balance	2007 Additions <sup>2</sup>	2007 Withdrawals <sup>2</sup>	2007 Net Change	2007 Balance
Multiple	Alaska	5	0	0	0	5
Multiple	Arizona	8	0	0	0	8
Multiple	California	15	0	0	0	15
Multiple	Colorado	14	0	0	0	14
Multiple	Eastern States (consisting of Alabama, Arkansas, Florida, Illinois, Indiana, Iowa, Louisiana, Maryland, Michigan, Minnesota, Mississippi, Missouri, Ohio, Virginia, and Wisconsin)	2	0	0	0	2
Multiple	Idaho	12	0	0	0	12
Multiple	Montana (including North Dakota and South Dakota)	11	0	0	0	11
Multiple	Nevada	6	0	0	0	6
Multiple	New Mexico (including Kansas, Oklahoma, and Texas)	8	0	0	0	8
Multiple	Oregon (including Washington)	24	0	0	0	24
Multiple	Utah	11	0	0	0	11
Multiple	Wyoming (including Nebraska)	10	0	0	0	10
	<b>Total</b>	<b>126</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>126</b>

<sup>1</sup> In some cases the BLM administrative states extend partly into one or more adjoining state(s) as follows:

- The BLM administrative state of Arizona consists of the legal boundaries of the state of Arizona plus areas in Imperial, Riverside, and San Bernardino Counties, California.
- The BLM administrative state of California consists of the legal boundaries of the state of California except areas in Alpine, Lassen, Sierra, Imperial, Riverside, and San Bernardino Counties; plus areas in Humboldt and Washoe Counties, Nevada.
- The BLM administrative state of Colorado consists of the legal boundaries of the state of Colorado plus areas in Grand County, Utah.
- The BLM administrative state of Idaho consists of the legal boundaries of the state of Idaho plus areas in Elko County, Nevada, and areas in Malheur County, Oregon.
- The BLM administrative state of Nevada consists of the legal boundaries of the state of Nevada except areas in Humboldt, Washoe, and Elko Counties; plus areas in Alpine, Lassen, and Sierra Counties, California.
- The BLM administrative state of Oregon consists of the legal boundaries of Oregon and Washington except areas in Malheur County, Oregon.
- The BLM administrative state of Utah consists of the legal boundaries of the state of Utah except areas in Grand County.

<sup>2</sup> Changes in administrative management units may occur as a result of the division of one administrative management unit into two or more administrative management units or the merging of two or more administrative management units into one. In some years, such as FY 2007, there may not be changes in the number of administrative management units. Changes in the number of administrative management units do not necessarily correlate to changes in the number of acres managed by the BLM. Changes in acreage managed by the BLM result from acquisitions of lands through purchase, donation, or exchange, and from the disposal of lands through exchange and various public land laws (including sales). More accurate mapping using improved technology, periodic audits, and/or reviews of BLM records may also result in decreases or increases in BLM's acreage data.

declares that the policy of the United States is as follows:

- “[G]oals and objectives be established by law as guidelines for public land use planning, and that management be on the basis of multiple use and sustained yield unless otherwise specified by law;
- [T]he public lands be managed in a manner that will protect the quality of scientific, scenic, historical, ecological, environmental, air and atmospheric, water resources, and archeological values; that, where appropriate, will preserve and protect certain public lands in their natural condition; that will provide food and habitat for fish and wildlife and domestic animals; and

that will provide for outdoor recreation and human occupancy and use . . .

- [T]he public lands be managed in a manner which recognizes the Nation’s need for domestic sources of minerals, food, timber, and fiber from the public lands including implementation of the Mining and Minerals Policy Act of 1970 . . . as it pertains to the public lands . . . .”

Other laws and Executive orders that provide guidance on how specific uses are managed include, but are not limited to, those shown in table 19.

The BLM develops policy and guidance based on the above-listed laws and Executive orders, and reviews the adequacy

**Table 19.** Guidance for the Management and Use of Resources on the Public Lands

- The Oregon and California Grant Lands Act of 1937 (43 U.S.C. 1181)	- The Mineral Leasing Act for Acquired Lands of 1947, as amended (30 U.S.C. 351-359 et seq.)
- The Alaska National Interest Lands Conservation Act of 1980 (16 U.S.C. 3101 et seq.)	- The Mineral Leasing Act of 1920, as amended (30 U.S.C. 181 et seq.)
- The Naval Petroleum Reserves Production Act	- The Federal Oil and Gas Royalty Management Act of 1982
- The Reindeer Act	- The Federal Onshore Oil and Gas Leasing Reform Act of 1987
- The Taylor Grazing Act of 1934, as amended (43 U.S.C. 315 et seq.)	- The Surface Mining Control and Reclamation Act of 1977 (30 U.S.C. 1201 et seq.)
- The Public Rangelands Improvement Act of 1978, (43 U.S.C. 1901 et seq.)	- The Multiple Mineral Development Act of 1954 (30 U.S.C. 521-531 et seq.)
- The National Environmental Policy Act of 1969 (NEPA) (42 U.S.C. 4321 et seq.)	- The Materials Act of July 31, 1947, as amended (30 U.S.C. 601 et seq.)
- The Endangered Species Act of 1973, as amended (16 U.S.C. 1531 et seq.)	- The Federal Coal Leasing Amendments Act of 1976, as amended (90 Stat. 1083-1092)
- The Wild and Scenic Rivers Act of 1968, as amended (16 U.S.C. 1271 et seq.)	- Section 402 of Reorganization Plan No. 3 of 1946 (5 U.S.C. Appendix)
- The National Historic Preservation Act of 1966, as amended (16 U.S.C. 470 et seq.)	- The Mining and Minerals Policy Act of 1970
- The Safe Drinking Water Act (42 U.S.C. 300f)	- The National Materials and Minerals Policy, Research and Development Act of 1980
- The Soil and Water Resources Conservation Act of 1977 (16 U.S.C. 2001)	- The National Energy Policy report of May 2001
- The Clean Air Act of 1990, as amended (42 U.S.C. 7401 et seq.)	- Executive Order 13211, Actions Concerning Regulations that Significantly Affect Energy Supply, May 2001
- The Clean Water Act of 1987, as amended (33 U.S.C. 1251)	- Executive Order 13212, Actions to Expedite Energy-Related Projects, May 2001
- The American Indian Religious Freedom Act, 1966 (42 U.S.C. 1996 et seq.)	- The Land and Water Conservation Fund Act of 1965, as amended (16 U.S.C. 460 (1-6a) et seq.)
- Executive Order 13007 (“Indian Sacred Sites”), May 29, 1966 (61 FR 104)	- The Wilderness Act of 1964 (16 U.S.C. 1131)
- Executive Order 11990, Protection of Wetlands, May 25, 1977 (42 FR 26961)	- The National Trails System Act of 1968, as amended (16 U.S.C. 1241 et seq.)
- Executive Order 12088, Federal Compliance with Pollution Control Standards, October 17, 1978 (43 FR 47707)	- The Sikes Act of 1974 (16 U.S.C. 670 et seq.)
- Executive Orders 10046, 10175, 10234, 10322, 10787, 10890	- The Federal Lands Recreation Enhancement Act of 2004 (16 U.S.C. 6803(c))
- The Migratory Bird Conservation Act of 1929, as amended (16 U.S.C. 715) and treaties pertaining thereto	

of policy through program evaluations, technical reviews, and general management evaluations. These evaluations and reviews are performed to ensure that the BLM at all levels (field, state, national, and headquarters offices) is operating in compliance with law, regulation, and policy. Evaluations also allow the BLM to identify where policy needs to be amended to achieve the intended purposes of those laws and Executive orders.

## Noncollectible Heritage Assets

### Protecting and Enhancing the Natural and Human Environment

Guided by the principles of multiple use and sustained yield in managing the public lands, the BLM has recognized the need to protect and enhance the natural and human environment. Special management areas have been designated by Presidential, Congressional, and Secretarial action. Presidential action has established 14

BLM national monuments. Congress has established one BLM national monument and numerous national conservation and protection areas, wilderness areas, wild and scenic rivers, national trails, and other designations. Areas designated by the Secretary of the Interior include national recreation trails, national natural landmarks, and national historic landmarks (figure 76).

### Types of Special Management Areas

Although the BLM manages natural heritage assets that are not in specifically designated areas, significant portions of the public lands have been presidentially, congressionally, or secretarially designated as special management areas. These special management areas have been designated to preserve their natural or cultural heritage values. Table 20 provides a summary of the number of designated special management areas, including any changes in fiscal year

**Table 20.** Designated Special Management Areas

Special Management Area Type <sup>1</sup>	Number				
	2006 Balance	2007 Increase <sup>2</sup>	2007 Decrease <sup>2</sup>	2007 Net Change	2007 Balance
National Monuments [p -14 and c-1]	15	–	–	–	15
National Conservation Areas [c]	13	–	–	–	13
Cooperative Management and Protection Area [c]	1	–	–	–	1
White Mountains National Recreation Area [c]	1	–	–	–	1
Yaquina Head Outstanding Natural Area [c]	1	–	–	–	1
Wilderness Areas [c]	177	13	–	13	190
National Wild and Scenic Rivers [c]	38	–	–	–	38
Headwaters Forest Reserve [c]	1	–	–	–	1
National Historic Trails [c]	10	–	–	–	10
National Scenic Trails [c]	3	–	–	–	3
National Recreation Trails [s]	34	2	–	2	36
Lake Todatonten Special Management Area [c]	1	–	–	–	1
National Natural Landmarks [s]	46	–	–	–	46
National Historic Landmarks [s] <sup>3</sup>	13	1	–	1	14

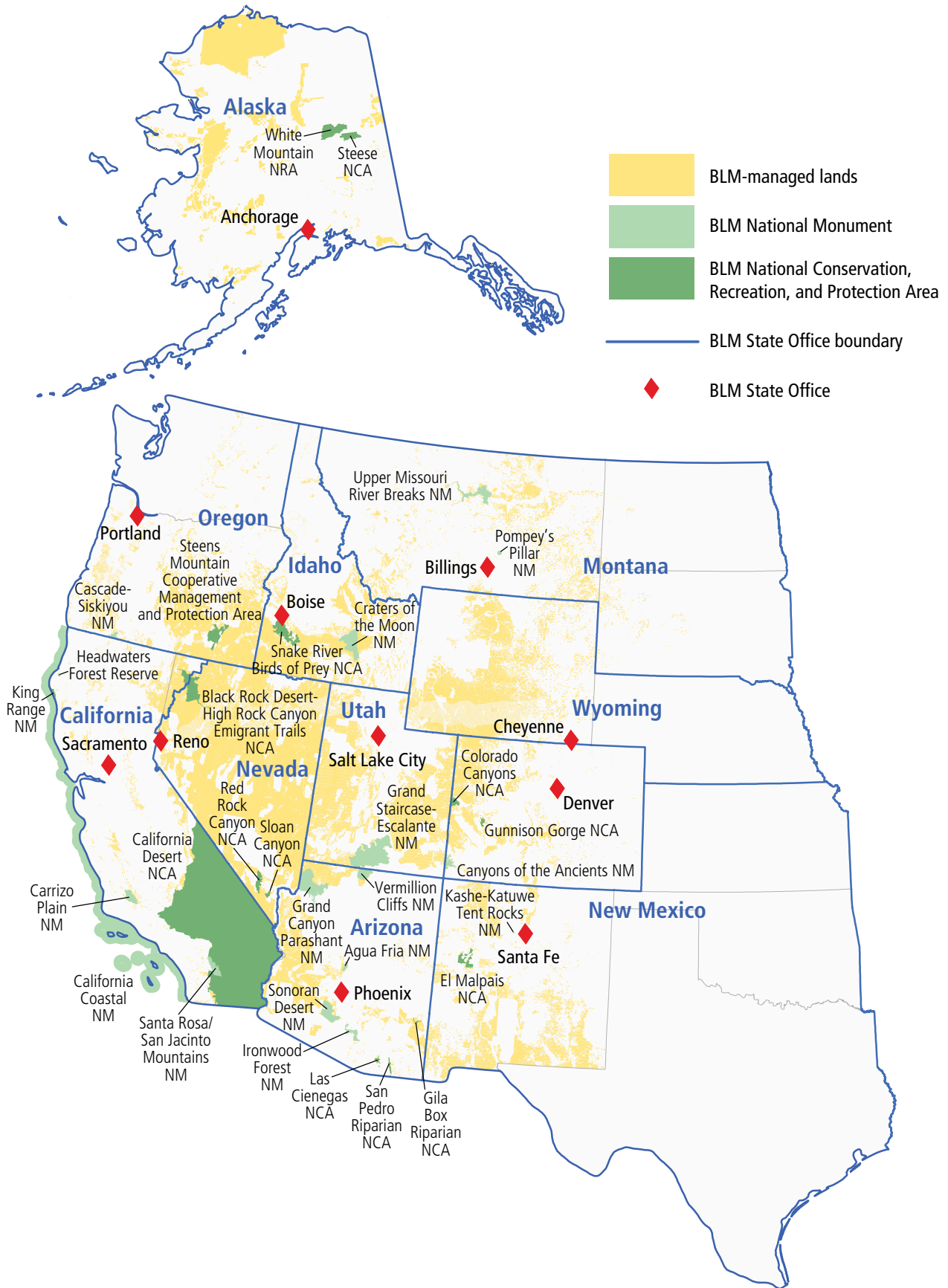
<sup>1</sup> Congressional designations are identified by [c], Presidential proclamation designations are identified by [p], and Secretarial designations are identified by [s].

<sup>2</sup> An increase results from a new designation action or a transfer from a different entity, while a decrease results from a previous designation being revoked, reclassified, or transferred to a different entity. In FY 2007, new designations increased wilderness areas by 13, national recreation trails by 2, and national historic landmarks by 1.

<sup>3</sup> In addition to the 14 NHLs listed above, the BLM manages some portion of the land contained within 5 NHL districts, but either there are no historic structures on the BLM portion of this land or the historic structures are not owned by the BLM.



**Figure 76.** BLM-Managed Public Lands, including National Monuments and National Conservation Areas



2007. These special management areas are found on the BLM-managed stewardship lands described above.

### **National Monuments**

National monuments can be designated by Congress to protect historic landmarks, historic and prehistoric structures, or other objects of historic or scientific interest on the public lands. Monuments can also be designated by Presidential proclamation under the Antiquities Act of 1906 to protect objects of scientific or historic interest. The BLM manages 15 national monuments.

### **National Conservation Areas**

Congress designates national conservation areas (NCAs) so that present and future generations of Americans can benefit from the conservation, protection, enhancement, use, and management of these areas and enjoy their natural, recreational, cultural, wildlife, aquatic, archeological, paleontological, historical, educational, and/or scientific resources and values. The BLM manages 13 NCAs.

### **Cooperative Management and Protection Area**

The BLM manages one congressionally designated area, the Steens Mountain Cooperative Management and Protection Area, located in southeastern Oregon. Cooperative and innovative management projects will be maintained and enhanced by the BLM, private landowners, tribes, and other public interests.

### **National Recreation Area**

A national recreation area is an area designated by Congress to ensure the conservation and protection of natural, scenic, historic, pastoral, and fish and wildlife values and to provide for the enhancement of recreational values. The BLM manages one such area, the White Mountains National Recreation Area in Alaska, which is named for its unusual, jagged, white limestone ridgeline.

### **Outstanding Natural Area**

An outstanding natural area consists of protected lands designated either by Congress or administratively by an agency to preserve exceptional, rare, or unusual natural characteristics and to provide for the protection or enhancement of natural, educational, or scientific values. These areas are protected by allowing physical and biological processes to operate, usually without direct human intervention. The BLM manages one such area, the Yaquina Head Outstanding Natural Area, located in Newport, Oregon.

### **Wilderness Areas**

The BLM administers 190 wilderness areas. The locations of these wilderness areas ensure that these lands represent the wide diversity of resources found on the public lands. Protective management helps ensure the protection and integrity of natural and biological processes on all public lands.

Wilderness areas are designated by Congress and are defined by the Wilderness Act of 1964 as a place “where the earth and its community of life are untrammelled by man, where man himself is a visitor who does not remain.” Designation is aimed at ensuring that these lands are preserved and protected in their natural condition. Wilderness areas, which are generally at least 5,000 acres in size, offer outstanding opportunities for solitude or a primitive and unconfined type of recreation. They may also contain ecological, geological, or other features that have scientific, scenic, or historical value.

### **National Wild and Scenic Rivers**

The BLM administers a total of 38 rivers in 5 states. These nationally recognized rivers encompass some of the nation’s greatest diversity and concentrations of recreational, natural, and cultural resources. Included among the BLM-managed wild and scenic rivers is the Fortymile River in Alaska, which is the longest designated river in the National Wild and Scenic Rivers System.

Rivers designated in the National Wild and Scenic Rivers System are classified in

one of three categories (wild, scenic, and recreational), depending on the extent of development and accessibility along each section. In addition to being free flowing, these rivers and their immediate environments must possess at least one outstandingly remarkable value—scenic, recreational, geologic, fish and wildlife, historic, cultural, or other similar values.

### ***Headwaters Forest Reserve***

The Headwaters Forest Reserve, located in central Humboldt County, California, was acquired from private owners by the BLM and the State of California. While title is held by BLM, this area is comanaged by the BLM and the State of California to protect the stands of old-growth redwoods that provide habitat for a threatened seabird, the marbled murrelet, as well as the headwaters that serve as a habitat for the threatened coho salmon and other fisheries.

### ***National Trails System***

Since the passage of the National Trail System Act in 1968, the BLM has assumed responsibility for 13 national historic or scenic trails designated by Congress. These long-distance trails are among BLM's "Great American Landscapes," showcasing the exploration, westward migration, historic events, and scenic splendor of our country. The BLM manages well over 85 percent of all of the Federal miles along national historic trails. National recreation trails are also a part of the National Trail System Act, and are designated each year by the Departmental Secretary having jurisdiction over the particular trail area.

The BLM's national trails program includes signing, maintenance, protection, coordination of volunteers, planning, interagency coordination, patrol, monitoring, visitor information, and interpretation. Partnerships with many trail organizations enhance the BLM's management efforts. The BLM works closely with the Partnership for the National Trails System and affiliated organizations on many volunteer projects and related conferences.

The BLM manages sections of 10 **National Historic Trails**. These 10 trails are the Iditarod, Juan Bautista De Anza, California, Nez Perce, Lewis and Clark, El Camino Real de Tierra Adentro, Oregon, Mormon Pioneer, Pony Express, and the Old Spanish National Historic Trails.

The BLM manages sections of three **National Scenic Trails**—the Continental Divide National Scenic Trail, the Pacific Crest National Scenic Trail, and the Potomac Heritage Trail.

**National Recreation Trails** do not require congressional or presidential approval; they are designated by the Secretary of the Interior. These trails provide a variety of outdoor recreation uses and opportunities in both remote and urban areas. The BLM manages 36 national recreation trails.

### ***Lake Totatonten Special Management Area***

Congress authorized the creation of the Lake Totatonten Special Management Area, located in the interior of Alaska. Lake Totatonten, the central feature of this special management area, is particularly important to waterfowl, which use the area for migration, staging, molting, and nesting. The lake and its surrounding hills are also home to moose, bear, and furbearers.

### ***National Natural Landmarks***

The BLM manages 46 national natural landmarks, which are designated by the Secretary of the Interior. To qualify as a national natural landmark, the area must contain an outstanding representative example(s) of the nation's natural heritage, including terrestrial communities, aquatic communities, landforms, geological features, habitats of native plant and animal species, or fossil evidence of the development of life on earth.

### ***National Historic Landmarks***

The BLM manages 14 national historic landmarks, which are designated by the Secretary of the Interior to recognize their



outstanding historical, architectural, or archaeological value and significance at a national level.

### Collectible Heritage Assets

Museum collections under BLM's stewardship consist principally of archaeological, historical, and paleontological artifacts and specimens recovered from the public lands, managed in curatorial facilities to be preserved for future generations, and made available for research and public education, in compliance with applicable laws and mandates.

- **Archaeological and Historical Collections:** Millions of museum objects have originated from the BLM's archaeological and historical resources. Artifacts and specimens that comprise museum collections, are associated with trails, sites, buildings, structures, and objects from past human life and activities that are significant to American history, architecture, archaeology, engineering, and culture and that contribute to our understanding of the historical and cultural foundations of our nation.
- **Paleontological Collections:** Paleontological materials—the fossilized remains or traces of dinosaurs, extinct plants, mammals,

fish, insects, and other organisms from the distant past—are another important source of museum collections that originate from BLM-managed lands. Many of the earliest described and most widely known dinosaurs were excavated from BLM-managed lands. Public lands continue to yield new fossil finds and exciting discoveries that shed light on the history of life.

Collections are used to teach museum visitors about life in the past. Researchers value the collections as a source of material for scientific data that becomes a permanent part of study and display collections. Scientific publications, textbooks, and articles for the general public are based on information taken from these collections.

The BLM maintains museum collections in 6 Federal and 136 non-Federal curatorial facilities, as summarized in table 21.

#### Collections in Non-Federal Curatorial Facilities

Since Europeans first inhabited America, cultural and paleontological objects have been collected from the vast acreage of Federal land. However, it was not until 1906, when the Antiquities Act mandated that permits be issued for excavations, that any control was exercised by the Federal Government over the excavation of these

**Table 21.** Number of Curatorial Facilities

Location	Number				
	2006 Balance	2007 Increase <sup>1</sup>	2007 Decrease <sup>1</sup>	2007 Net Change	2007 Balance
Non-Federal Facilities	131	26	21	5	136
Federal Facilities	3	3	-	3	6

<sup>1</sup> An increase results from recent permitted collecting activities and a collection being placed in a new curatorial facility, while a decrease results from a collection being transferred from one curatorial facility to another. Either an increase or a decrease may result from an administrative correction of records due to research to locate older collections and improved reporting of collections. The number of BLM curatorial facilities remained unchanged at three in FY 2007; however, BLM collections in three National Park Service curatorial facilities were identified through improved reporting of BLM fossil collections, for a total of six Federal curatorial facilities. The net number of non-Federal curatorial facilities identified as holding BLM collections increased from 131 to 136. New collections and research into curatorial facility holdings resulted in 26 facilities being added and additional research resulted in 21 curatorial facilities being deleted.

materials. In the Department of the Interior, permitting authority was delegated to the Departmental Consulting Archaeologist of the National Park Service, the Department's lead for cultural resource issues. The BLM was created in 1946, but it was not until the mid-1970s that the first Bureau archaeologists were hired. Permitting authority was not delegated to the BLM until September 28, 1984, by Secretarial Order 3104.

Most collections originating from BLM-managed land are housed in non-Federal curatorial facilities throughout the country. To date, the Bureau has identified 136 professional curatorial facilities in the U.S. and Canada that manage collections from the public lands.

These cultural and paleontological objects have been gathered for the benefit of the public. The BLM has compiled information about the non-Federal curatorial facilities (type of collection, location, museum accreditation and assessments, etc.). This data demonstrates that the curatorial facilities are professional institutions capable of managing Federal collections.

Since most of the BLM's museum collections that originated from the public lands are housed in non-Federal curatorial facilities, the BLM's relationship with these curatorial facilities is crucial to the continued management and protection of these collections. Non-Federal curatorial facilities provide access to researchers and scientists as well as develop public displays using the collections.

#### Collections in Federal Curatorial Facilities

In addition to the objects curated in non-Federal curatorial facilities, the BLM curates objects in three BLM curatorial facilities: the Anasazi Heritage Center (AHC) in Dolores, Colorado, transferred to BLM management in 1988; the Billings Curation Center (BCC) in Billings, Montana, established in 1984; and the National Historic Oregon Trail Interpretive Center (NHOTIC) on Flagstaff Hill, Oregon, opened in 1992. It is the BLM's

policy that museum collections will not be housed in the other field offices. Through partnerships with the NPS, collections of BLM paleontological materials are curated in three NPS curatorial facilities: Dinosaur National Monument in Vernal, Utah; Fossil Butte National Monument in Kemmerer, Montana; and John Day Fossil Beds National Monument in Kimberly, Oregon.

#### **Anasazi Heritage Center (AHC)**

The AHC is the Bureau's only full-service museum and curatorial facility. It features the Anasazi (ancestral Puebloan) culture as well as other cultures of the Four Corners region. The museum has permanent exhibits, archaeological sites, special exhibits and events, traveling exhibits, educational resources for teachers, archaeological research collections, and an excellent interactive website. AHC collections are principally archaeological materials, along with some historic and paleontological materials.

#### **Billings Curation Center (BCC)**

A much smaller curatorial facility, the BCC was established to curate artifacts collected from public lands in Montana, North Dakota, and South Dakota. The primary objective of the BCC is to assist these three BLM states to ensure that the museum collections, which represent nearly 12,000 years of prehistory and history in the Northern Plains, serve scientific researchers, the BLM, and other Federal agency personnel. The center has no exhibition space, but it does host researchers and interns and present interpretive materials on the Internet.

#### **National Historic Oregon Trail Interpretive Center (NHOTIC)**

The NHOTIC features exhibits, living history areas (including pioneer encampment and mining), and interpretive trails. It provides majestic scenery and unique vistas of the historic ruts of the Oregon Trail. The center's goal is to interpret the story of the Oregon Trail and its impact on western American history. This is achieved, in

large part, through the use of exhibitions. Artifacts, along with artwork, text, videos, sound effects, and dioramas, present well-rounded, fact-filled displays and programs.

### **National Park Service Curatorial Facilities**

Three NPS curatorial facilities dedicated to fossil resources include objects excavated from the BLM-managed lands surrounding the park lands, in addition to the NPS's museum collections. BLM maintains partnerships with NPS to preserve, research, and interpret the significant fossil resources that span the boundaries of the monuments. Dinosaur, Fossil Butte, and John Day Fossil Beds National Monuments all maintain professional paleontological staff and feature visitor center exhibits dedicated to interpreting the significant fossil resources found in their regions.

## **Condition of Stewardship Lands and Heritage Assets**

### Condition of Stewardship Lands

The Federal Accounting Standards Advisory Board (FASAB) defines “[l]and” as the solid part of the surface of the earth. Excluded from the definition are the natural resources (that is, depletable resources, such as mineral deposits and petroleum; renewable resources, such as timber; and the outer-continental shelf resources) related to land.”<sup>6</sup> Based on this definition, it is the policy of the BLM and the Department of the Interior to consider stewardship land to be in acceptable condition unless an environmental contamination or liability is identified and the land cannot be used for its intended purpose(s). Information regarding the financial liabilities identified as probable or reasonably possible and that affect the condition of stewardship land are located in note 13 of the Financial Statements, “Environmental and Disposal Liabilities and Other Contingent Liabilities.” See also the “Deferred Maintenance” section. With

the exception of an immaterial quantity of land with contamination, the stewardship lands managed by the BLM are in acceptable condition.

### Condition of Noncollectible Heritage Assets

The condition of natural heritage assets such as national monuments, wilderness areas, etc., corresponds to that of the condition of the lands on which they are located as these are an integral component of the stewardship lands as described in the preceding paragraph.

The BLM's cultural resource management program was developed in the 1970s to respond to the National Historic Preservation Act of 1966 and Executive Order 11593 of 1971. The most important known properties, including national historic landmarks, are afforded the highest attention.

Each year the Secretary provides the Congress with a listing of damaged or threatened national historic landmarks, as required by section 8 of P.L. 94-458. This listing does not differentiate according to ownership when any portion of a landmark is judged to be subject to threat. Landmark condition is carefully monitored by BLM field offices. When active threats are present, appropriate physical or administrative protective measures are applied promptly. Of the landmarks identified in the current listing where there are some BLM-managed lands involved, the BLM-managed portions of the landmarks are in acceptable condition.

### Condition of Collectible Heritage Assets

#### **Background**

The museum collections and the associated records under the BLM's stewardship are stored in professional curatorial facilities that have a mission to preserve and protect these materials and provide access to the public and researchers. Curatorial facilities implement preventive conservation and management techniques to reduce the negative impacts of fluctuating

<sup>6</sup> Statement of Federal Financial Accounting Standards 29, paragraph 34.



temperatures and relative humidity, visible light, ultraviolet radiation, dust, soot, gases, mold, fungus, insects, rodents, and general neglect that will hasten deterioration. Curatorial facilities also implement security and fire measures to reduce the risk of loss. The goal of safeguarding museum objects is to preserve them in as stable a state as possible for as long as possible and to monitor their condition during their intended use so as not to unduly hasten their deterioration.

### **Condition Assessment**

The Department of the Interior has created a system to evaluate curatorial facility-level condition standards in which one of four standards may be used to assess condition. These standards evaluate a curatorial facility's environmental controls and security systems designed to preserve and protect the collection by providing a stable and secure environment that minimizes deterioration and loss. The condition of collections within a curatorial facility is measured by an assessment of the environmental and security methods implemented by the curatorial facility. Only *one* standard is necessary to rate any one particular curatorial facility.

- Evaluation scores determined by onsite assessments by agency staffs using a Department of the Interior Manual (411 DM) checklist.
  - Good Facility Condition: 70 percent or more of the applicable DOI standards are met at a facility.
  - Fair Facility Condition: between 50 and 70 percent of the applicable DOI standards are met at a facility.
  - Poor Facility Condition: less than 50 percent of the applicable DOI standards are met at a facility.
- American Association of Museums (AAM) Accreditation: If the curatorial

facility has received accreditation by the AAM, a "fair" rating was assessed for facility condition.

- Army Corps of Engineers (COE) scores: The U.S. Army Corps of Engineers Mandatory Center of Expertise for the Curation and Management of Archeological Collections scores were used if an assessment was performed for the curatorial facility in question.
  - Good Facility Condition: 70 percent or higher score assigned by COE for a facility.
  - Fair Facility Condition: between 50 and 70 percent score assigned by COE for a facility.
  - Poor Facility Condition: less than 50 percent score assigned by COE for a facility.
- Self-certifications by curatorial facility staffs: The Department distributed requests for self-certification to curatorial facilities for which other onsite assessment data were not yet available. Curatorial facility staffs certified whether or not their institution protects Interior collections against risk of damage or loss due to security and environmental risk factors. The self-assessment focused on these factors (and associated procedures and controls) because they determine whether or not a collection is in stable condition as measured against 58 professional standards defined in Departmental policy (411 DM 3.2). If the curatorial facility provided a positive self-certification, a "good" rating was assessed for facility condition.

Of the Federal curatorial facilities, five are in good condition and one is in poor condition. All three BLM curatorial facilities are in good condition, while two NPS curatorial facilities are in good condition and one is in poor condition. These six Federal

curatorial facilities have management and accountability policies, procedures, and systems in place (i.e., governance, finance, security, interpretation, outreach, care, scope of collections, acquisitions, deaccessions, legal and safety issues, documentation, and risk management). However, the one NPS curatorial facility in poor condition will need to implement environmental controls to stabilize the collections.

Using a combination of the standards listed above, the BLM can state that 96 non-Federal curatorial facilities are in good condition, 27 are in fair condition, and 2 are in poor condition. The remaining 11 curatorial facilities are deemed to be in unknown condition since they have not been rated according to the above standards.

A total of 128 of all curatorial facilities holding BLM collections are in good or fair condition, demonstrating that 90 percent of BLM's museum collections are safeguarded and secure.

## Deferred Maintenance

Stewardship assets, as defined in this section, consist of constructed infrastructure such as roads, trails, bridges, major culverts, and dams on BLM land; they do not include land and natural resources on the land or heritage assets. Deferred maintenance includes preventive maintenance, normal repairs, replacement of parts and structural components, and other activities that are not performed when scheduled and have been delayed to a future period. Such activities are needed to preserve an asset so that it continues to provide acceptable services and achieves its expected life. Assets encompass general property, plant, and equipment items as well as stewardship assets.

The BLM's capital assets include developed recreation sites and administrative facilities such as fire control facilities, wild horse corrals, and radio communications towers. Roads, trails, bridges, and associated improvements constitute the BLM's transportation system. Currently, the BLM maintains 4,777 buildings, 725

administrative sites, 2,604 recreation sites, 75,959 miles of roads, 879 bridges, 17,480 miles of trails, and 590 hazard-rated dams. These assets support the management, use, and enjoyment of the public lands for commercial, recreational, and other purposes.

The trend has been for the BLM's inventory of fixed capital assets (buildings, roads, recreation sites, etc.) to increase over time. However, as the BLM implements its new asset management plan (AMP), which was developed in 2006, it will begin compiling a list of real property assets that are candidates for disposition. Any asset that is no longer critical to the mission, or that is in such poor condition that it is no longer cost effective to maintain, will be identified for possible disposal. The AMP provides the framework for the BLM to streamline its portfolio of assets and optimize the maintenance of those assets that contribute most significantly to its mission and strategic goals.

Baseline comprehensive condition assessments of all recreation sites and administrative sites, including onsite buildings and structures, have been completed. The BLM established a 5-year cycle for followup, periodic condition assessments, with approximately 20 percent of all BLM recreation sites and administrative sites slated to be assessed each year. BLM is well into its second round of comprehensive baseline assessments of recreation and administrative sites. Baseline comprehensive condition assessments of roads, bridges, and dams are currently underway, with roads and trails to be completed at the end of FY 2007.

The methodology used to determine the 2007 deferred maintenance information first groups capital assets into major asset classes and then uses baseline comprehensive condition assessment surveys performed by expert inspection teams composed of Government and contractor personnel. The methodology consists of using field-collected data to: (1) develop conceptual cost estimates based on square footage or other units of measure for corrective actions noted in the condition assessment reports, and (2) extrapolate estimates for assets that have not yet had baseline condition assessments.

The combination of field-collected data and extrapolation provides the methodology for measuring the total deferred maintenance for each major asset class.

The BLM determines an asset's current replacement value as part of the comprehensive condition assessment survey process. Knowing the current replacement value allows the BLM to use the industry-standard facilities condition index (FCI) as a method of measuring the condition and change in condition of facilities. The FCI is the ratio of accumulated deferred maintenance to the current replacement value ( $FCI = \text{deferred maintenance} / \text{current replacement value}$ ). It is an indicator of the depleted value of capital assets. The general rule is that the FCI should be below 0.10 for a facility to be considered in good condition.

Deferred maintenance needs identified in condition assessments and other inspections are developed into specific projects and assembled in the "Five-Year Deferred Maintenance and Capital Improvement Plan." Standard criteria for ranking the projects established by the Department are used to prioritize the projects in the 5-year plan. Investments in deferred maintenance preserve the useful life and condition of facilities, improve workplace safety and productivity, and increase visitor satisfaction with BLM facilities. The deferred maintenance program also supports development of BLM's AMP, as required by Executive Order 13327 of February 4, 2004, "Federal Real Property Asset Management." With implementation of the AMP, the BLM will streamline its portfolio of assets and optimize maintenance of those assets that contribute most significantly to its mission and strategic goals. The BLM expects to dispose of unneeded assets so it can affordably maintain and sustain that portfolio.

As of September 30, 2007, the total accumulated deferred maintenance was

estimated to range from \$377 million to \$461 million. Deferred maintenance by asset category is shown in table 22. The asset categories correspond to the "roll up" format in the Department of the Interior's annual report on performance and accountability.

A portion of the maintenance backlog has been developed into specific projects and included in the BLM's "Five-Year Deferred Maintenance and Capital Improvement Plan." The total deferred maintenance component in the FY 2008–2012 plan is \$198 million; future funding year and subactivity (funding source) are shown in table 23. The \$198 million includes project-specific work, along with project and contract management, condition assessments, information technology, and other work directly related to deferred maintenance.

Unlike buildings, structures, or machinery, land, defined by the Federal Accounting Standards Advisory Board (FASAB) as the solid part of the earth (i.e., rocks and sediment), is not subject to periodic and/or recurring maintenance. There is no deferred maintenance to be reported for land, including natural heritage assets. All land is considered to be in acceptable condition except for those areas with environmental contamination. Information regarding the financial liabilities identified as probable or reasonably possible and that affect the condition of stewardship land are located in note 13 to the Financial Statements, "Environmental and Disposal Liabilities and Other Contingent Liabilities." There is also no deferred maintenance to report for national historic landmarks, since these structures are rated as being in acceptable condition. The three BLM facilities holding museum collections are in good condition, and no deferred maintenance is reported for them.



**Table 22.** Estimated Range of Deferred Maintenance by Asset Category (dollars in thousands)

Asset Category	Items Covered <sup>1</sup>	Condition Category <sup>2</sup>	Estimated Range of Deferred Maintenance for 2007					
			General PP&E		Stewardship PP&E		Total	
			Low	High	Low	High	Low	High
Roads, Bridges, Major Culverts, and Trails	A,B,C,D	G, F, P	–	–	\$195,224	\$238,607	\$195,224	\$238,607
Dams	A,B,C,D	G, F, P	–	–	\$23,787	\$29,073	\$23,787	\$29,073
Buildings on Administrative and Recreation Sites	A,B,C,D	G, F, P	\$66,450	\$81,217	–	–	\$66,450	\$81,217
Other Structures on Administrative and Recreation Sites	A,B,C,D	G, F, P	\$91,345	\$111,645	–	–	\$91,345	\$111,645
<b>Total</b>			<b>\$157,795</b>	<b>\$192,862</b>	<b>\$219,011</b>	<b>\$267,680</b>	<b>\$376,806</b>	<b>\$460,542</b>

<sup>1</sup> Items Covered:

A – Critical Health and Safety Deferred Maintenance: A facility deferred maintenance need that poses a serious threat to public or employee safety.

B – Critical Resource Protection Deferred Maintenance: A facility deferred maintenance need that poses a serious threat to natural or cultural resources.

C – Critical Mission Deferred Maintenance: A facility deferred maintenance need that poses a serious threat to a bureau's ability to carry out its assigned mission.

D – Compliance and Other Deferred Maintenance: A facility deferred maintenance need that will improve public or employee safety, health, or accessibility; compliance with codes, standards, laws, complete unmet programmatic needs and mandated programs; and protection of natural or cultural resources to enhance a bureau's ability to carry out its assigned mission.

<sup>2</sup> Condition Category:

Good – Facility/equipment condition meets established maintenance standards, operates efficiently, and has a normal life.

Fair – Facility/equipment condition meets minimum standards but requires additional maintenance or repair to prevent further deterioration, increase operating efficiency, and achieve normal life expectancy.

Poor – Facility/equipment does not meet most maintenance standards and requires frequent repairs to prevent accelerated deterioration and provide a minimal level of operating function. In some cases, condemned or failed facilities are included.

Based on periodic condition assessments, an indicator of condition is the percent of facilities and items of equipment in each of the good, fair, or poor categories.



**Table 23.** Deferred Maintenance by Future Funding Year and Subactivity (Funding Source) (dollars in thousands)

Funding Source	Planned Deferred Maintenance Work <sup>1</sup>					Total
	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	
MLR Deferred Maintenance <sup>2</sup>	\$33,795	\$33,795	\$33,795	\$33,795	\$33,795	\$168,975
O&C Deferred Maintenance <sup>3</sup>	\$1,059	\$1,059	\$1,059	\$1,059	\$1,059	\$5,295
Construction	\$956	\$237	\$248	\$706	\$1,119	\$3,266
Wildland Fire <sup>4</sup>	\$4,015	\$4,238	\$4,254	\$4,203	\$4,294	\$21,004
<b>Total</b>	<b>\$39,825</b>	<b>\$39,329</b>	<b>\$39,356</b>	<b>\$39,763</b>	<b>\$40,267</b>	<b>\$198,540</b>

<sup>1</sup> This table shows the deferred maintenance that has been developed into specific projects and included in the BLM's "Five-Year Deferred Maintenance and Capital Improvement Plan." The \$198 million total for FY 2008–2012 includes other costs for project and contract management, condition assessments, information technology, and other work directly related to managing and reducing the maintenance backlog. The table does not include the capital improvement work associated with the projects.

<sup>2</sup> Management of Lands and Resources (MLR) is the major appropriation category in the BLM's annual budget.

<sup>3</sup> Oregon and California Grant Lands (O&C) is a minor appropriation category that covers certain counties in western Oregon.

<sup>4</sup> Deferred maintenance for BLM projects only. The BLM's 5-year plan includes wildland fire projects for the Bureau of Indian Affairs, Fish and Wildlife Service, and National Park Service. Wildland fire funding for these other bureaus comes through the BLM's appropriation for wildland fire management.





# Required Supplementary Stewardship Information: Investment in Research and Development Report

## Program Overview

The primary objective of the BLM's research and development program is to make better use of new data, information, and knowledge to improve the management of our nation's public lands and resources. The BLM's research and development program focuses on working with partners to identify scientific information needs and then communicating these needs to research agencies, universities, and other nongovernmental organizations. Outlays for BLM's research and development program are shown above in table 24. Applied research refers to a study to gain the knowledge or understanding needed to determine how a recognized and specific need can be met. Development refers to using knowledge and understanding gained from research to produce useful materials, devices, systems, or methods, including the design and development of prototypes and processes.

The BLM has developed a formal science strategy that includes a process for identifying high-priority science needs and then meeting these needs either internally or in collaboration with science partners, such as the United States Geological Survey (USGS), other agency science

providers, and universities. The strategy also includes identifying and cataloging scientific opportunities on the public lands, such as those found within national monuments, national conservation areas, and research natural areas. The BLM is currently preparing management plans for several national monuments and national conservation areas that will highlight science opportunities and research needs.

The USGS serves as the primary research science bureau for the Department of the Interior, addressing the scientific questions and research needs of the land management bureaus. The BLM relies on the science capabilities within the USGS as its largest single source of scientific research support, although the BLM also works with other Federal agencies, state agencies, and other organizations to meet its overall science needs. The USGS geologic, water resources, and geography disciplines support the BLM's mineral assessments, mining-related hydrologic studies, and abandoned mine land efforts. The USGS biological resources discipline addresses most of the BLM's science needs relating to the management of biological resources.

The BLM is a founding partner in the network of Cooperative Ecosystem Studies Units (CESUs) that has been established recently at several of the nation's leading universities by a number of Federal agencies. The BLM is increasingly making use of these CESU partnerships both to meet its own science needs and to involve U.S. universities and colleges to a greater extent in providing sound science for managing the public lands and resources.

**Table 24.** Investment in Research and Development (outlays in millions of dollars)

Category	2003	2004	2005	2006	2007 <sup>1</sup>	Total
Applied Research	10.9	14.0	13.6	17.8	16.4	72.7
Development	1.5	2.6	7.0	1.0	.9	13.0
Total	12.4	16.6	20.6	18.8	17.3	85.7

<sup>1</sup> Outlays are estimated for 2007.

## Research and Development Activities

In 2007, the BLM began new and continued current research and development efforts, including:

- Studies to understand and evaluate the effects of energy development in the Rocky Mountain and Alaskan regions. The need to find and develop new sources of energy on the public lands creates conflicts with other resources and resource management in the Rocky Mountain West and adjacent areas. Particular concern is focused on hydrology and impacts to ground and surface water resources, air pollution, and acid mine drainage. The effects of noise and habitat disturbance on wildlife and other species of concern are also the subject of BLM studies in this area. In Alaska, the effects of oil and gas exploration and development on tundra vegetation, tundra wildlife, and permafrost are all areas of concern.
- Studies to support the Northwest Forest Plan as well as forest resources management in general by improving forest productivity, protecting riparian habitats, and monitoring and understanding changes in key wildlife species.
- Inventory and monitoring studies to assist in protecting both animal and plant species on the public lands that are of concern because they are declining or threatened in some way. Species such as the Pacific fisher, peregrine falcon, sage grouse, snowy plover, pygmy rabbit, desert tortoise, bull trout, and many others are of concern to the BLM.
- Studies to determine how best to reestablish native vegetation and develop sources of seeds for native plants. Special emphasis is given to a new study to understand the ecology and problems of the degraded shrub-steppe ecosystem of the Great Basin and adjacent areas. Information on presettlement ecosystem dynamics and related factors such as wildfire occurrence and climate variation is needed to plan and implement restoration actions. The Owyhee Uplands Project in Idaho is designed to provide information on the utility of a regional approach to collecting, organizing, and using assessment, inventory, and monitoring data, particularly related to sagebrush.
- Studies to understand the exotic (nonnative) weeds and their rapid spread throughout the West on the public lands in order to learn how to control their spread and limit the habitat damage they cause.
- An energy resource assessment project to understand the significance of the vast methane gas hydrate found beneath the lands the BLM manages in northern Alaska and the possible effects of developing this resource as an alternative energy resource. Information from the assessment program was used to model the hydrate resource at a test well drilled this year, which resulted in one of the most comprehensive data sets yet compiled on a naturally occurring gas hydrate accumulation.





## United States Department of the Interior

OFFICE OF INSPECTOR GENERAL  
Washington, DC 20240

Memorandum

JAN 4 2008

To: Director, Bureau of Land Management

From: Kimberly Elmore *Kimberly Elmore*  
Acting Assistant Inspector General for Audits

Subject: Independent Auditors' Report on the Bureau of Land Management Financial Statements for Fiscal Years 2007 and 2006 (Report No. X-IN-BLM-0016-2007)

### ***INTRODUCTION***

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This memorandum transmits the KPMG LLP (KPMG) auditors' report of the Bureau of Land Management (BLM) financial statements for fiscal years (FYs) 2007 and 2006. The Chief Financial Officers Act of 1990 (Public Law 101-576), as amended, requires the Inspector General or an independent auditor, as determined by the Inspector General, to audit the Department of the Interior (DOI) financial statements.

Under a contract issued by DOI and monitored by the Office of Inspector General (OIG), KPMG, an independent public accounting firm, performed an audit of the BLM FY2007 and FY2006 financial statements. The contract required that the audit be performed in accordance with the "Government Auditing Standards" issued by the Comptroller General of the United States and Office of Management and Budget Bulletin No. 07-04, "Audit Requirements for Federal Financial Statements."

### ***RESULTS OF INDEPENDENT AUDIT***

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In its audit report dated December 17, 2007 (Attachment 1), KPMG issued an unqualified opinion on the BLM financial statements. However, KPMG identified two significant deficiencies in internal controls over financial reporting, which were considered to be material weaknesses. In addition, KPMG identified two instances of noncompliance with laws and regulations, specifically the Federal Financial Management Improvement Act of 1996 (FFMIA). KPMG made six recommendations that, if implemented, should resolve the findings.

### ***STATUS OF RECOMMENDATIONS***

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In its December 11, 2007 response (Attachment 2) to the draft report, BLM agreed with all three findings. BLM also addressed each of the six recommendations, stating that it implemented one recommendation and was in the process of implementing five recommendations. We will refer the five unimplemented recommendations to the Assistant

Secretary for Policy, Management and Budget for tracking of implementation (see Attachment 3, "Status of Audit Report Recommendations").

### ***EVALUATION OF KPMG AUDIT PERFORMANCE***

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To ensure the quality of the audit work performed, the OIG:

- reviewed KPMG's approach and planning of the audit;
- evaluated the qualifications and independence of the auditors;
- monitored the progress of the audit at key points;
- coordinated periodic meetings with BLM management to discuss audit progress, findings, and recommendations;
- reviewed and accepted KPMG's audit report; and
- performed other procedures we deemed necessary.

KPMG is responsible for the attached auditors' report dated December 17, 2007, and the conclusions expressed in it. We do not express an opinion on BLM financial statements or on KPMG's conclusions regarding 1) effectiveness of internal controls, 2) compliance with laws and regulations, or 3) substantial compliance of BLM financial management systems with FFMIA.

### ***REPORT DISTRIBUTION***

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The legislation, as amended, creating the OIG requires semiannual reporting to the Congress on all audit reports issued, actions taken to implement audit recommendations, and recommendations that have not been implemented. Therefore, we will include the information in the attachment in our next semiannual report. The distribution of the report is not restricted, and copies are available for public inspection.

We appreciate the cooperation and assistance of BLM personnel during the audit. If you have any questions regarding the report, please contact Jeff Carlson at 202-208-5724.

#### **Attachments**

cc: Assistant Secretary, Land and Minerals Management  
Audit Liaison Officer, Land and Minerals Management  
Chief Financial Officer, Bureau of Land Management  
Audit Liaison Officer, Bureau of Land Management  
Audit Liaison Officer, Office of Financial Management

## ATTACHMENT I



KPMG LLP  
 Suite 2700  
 707 Seventeenth Street  
 Denver, CO 80202

### Independent Auditors' Report

The Director of the Bureau of Land Management and  
 the Inspector General of the U.S. Department of the Interior:

We have audited the accompanying consolidated balance sheets of the Bureau of Land Management (BLM) as of September 30, 2007 and 2006, and the related consolidated statements of net cost, changes in net position, and custodial activity, and combined statements of budgetary resources (hereinafter referred to as "consolidated financial statements") for the years then ended. The objective of our audits was to express an opinion on the fair presentation of these consolidated financial statements. In connection with our fiscal year 2007 audit, we also considered BLM's internal controls over financial reporting and performance measures and tested BLM's compliance with certain provisions of applicable laws, regulations, contracts, and grant agreements that could have a direct and material effect on these consolidated financial statements.

#### SUMMARY

As stated in our opinion on the consolidated financial statements, we concluded that BLM's consolidated financial statements as of and for the years ended September 30, 2007 and 2006, are presented fairly, in all material respects, in conformity with U.S. generally accepted accounting principles.

As discussed in our opinion, in fiscal year 2007, BLM changed its method of accounting for and reporting of the reconciliation of net cost to budget and allocation transfers to adopt changes in accounting standards and Office of Management and Budget (OMB) requirements. Also as discussed in our opinion, BLM revised its method of allocating certain costs and revenues between programs on the statement of net cost in fiscal year 2007.

Our consideration of internal control over financial reporting resulted in the following conditions being identified as significant deficiencies:

#### Significant Deficiencies Considered to Be Material Weaknesses

- A. Accounts Payable Accrual Methodology
- B. Financial Reporting

We noted no deficiencies involving the design of the internal control over the existence and completeness assertions related to key performance measures.

The results of our tests of compliance with certain provisions of laws, regulations, contracts, and grant agreements, exclusive of those referred to in the *Federal Financial Management Improvement Act of 1996* (FFMIA), disclosed no instances of noncompliance or other matters that are required to be reported herein

KPMG LLP, a U.S. limited liability partnership, is the U.S. member firm of KPMG International, a Swiss cooperative.



under *Government Auditing Standards* and OMB Bulletin No. 07-04, *Audit Requirements for Federal Financial Statements*.

The results of our tests of FFMTA disclosed two instances, described below, where BLM's financial management systems did not substantially comply with applicable federal accounting standards.

*C. Federal Financial Management Improvement Act of 1996*

The results of our tests of FFMTA disclosed no instances in which BLM's financial management systems did not substantially comply with federal financial management systems requirements and the United States Standard General Ledger (USSGL).

The following sections discuss our opinion on BLM's consolidated financial statements; our consideration of BLM's internal controls over financial reporting, and performance measures; our tests of BLM's compliance with certain provisions of applicable laws, regulations, contracts, and grant agreements; and management's and our responsibilities.

**OPINION ON THE FINANCIAL STATEMENTS**

We have audited the accompanying consolidated balance sheets of BLM as of September 30, 2007 and 2006, and the related consolidated statements of net cost, changes in net position, and custodial activity, and the combined statements of budgetary resources for the years then ended.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of BLM as of September 30, 2007 and 2006, and its net costs, changes in net position, budgetary resources, and custodial activity for the years then ended, in conformity with U.S. generally accepted accounting principles.

As discussed in note 23 to the consolidated financial statements, BLM changed its method of reporting the reconciliation of budgetary resources obligated to the net cost of operations in fiscal year 2007 to adopt the new OMB requirements. Also as discussed in note 2 to the consolidated financial statements, BLM changed its method of accounting for and reporting allocation transfers in fiscal year 2007 to adopt the new OMB requirements. Also as discussed in note 19 to the consolidated financial statements, BLM's fiscal year 2007 consolidated statement of net cost is not comparable to its fiscal year 2006 consolidated statement of net cost because BLM revised its method of allocating certain costs and revenues between programs in fiscal year 2007.

The information in the Management's Discussion and Analysis, Required Supplementary Stewardship Information, and Required Supplementary Information section is not a required part of the consolidated financial statements, but is supplementary information required by U.S. generally accepted accounting principles and OMB Circular No. A-136, *Financial Reporting Requirements*. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of this information. However, we did not audit this information and, accordingly, we express no opinion on it.

**INTERNAL CONTROL OVER FINANCIAL REPORTING**

Our consideration of the internal control over financial reporting was for the limited purpose described in the Responsibilities section of this report and would not necessarily identify all deficiencies in the internal control over financial reporting that might be significant deficiencies or material weaknesses.

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. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects BLM's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of BLM's consolidated financial statements that is more than inconsequential will not be prevented or detected by BLM's internal control over financial reporting. 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 by BLM's internal control.

In our fiscal year 2007 audit, we consider the deficiencies, described below, to be significant deficiencies in internal control over financial reporting. However, of the significant deficiencies described below, we believe that significant deficiencies A and B are material weaknesses. Exhibit I presents the status of prior year reportable conditions.

#### **A. Accounts Payable Accrual Methodology**

BLM's accounts payable methodology does not properly consider all assumptions and changes in its operations. BLM estimates accounts payable at quarter- and year-end based on unliquidated obligations and a weighted average percentage of payments made subsequent to the quarter- or year-end. Each quarter, BLM evaluates its estimate versus the actual payments made and updates the weighted average percentage.

During fiscal year 2007, we noted payments made in the first and third quarters significantly increased over prior quarters. Our audit procedures revealed the current methodology excluded a majority of obligations of the Southern Nevada Public Land Management Act (SNPLMA) program; however, SNPLMA payments were included in the payments analysis. Upon further analysis, we determined expenditures had been incurred by the SNPLMA program, through local governments or other federal agencies, but had not yet been billed to BLM and therefore were not recorded in accounts payable. As a result, accounts payable with the public and operating expenses were understated by approximately \$58.2 million.

#### **Recommendations**

BLM should design and implement adequate processes and controls over accounts payable to ensure changes to its operations are properly reflected in the methodology, including the following:

1. Develop and implement an accounts payable accrual methodology for the SNPLMA program.
2. Revise the existing accounts payable methodology, and evaluation of the estimate, for the consideration of the SNPLMA program.

#### **Management Response**

Management has prepared an official response presented as a separate attachment to this report. In summary, management agreed with our findings and its comments were responsive to our recommendations.

#### **B. Financial Reporting**

During our audit, we noted certain errors in the financial statements and notes to the financial statements.

#### Earmarked Funds

BLM did not properly map earmarked funds in Hyperion to ensure proper presentation of the Statement of Changes in Net Position. We noted funds related to child accounts were improperly excluded from earmarked funds in the Hyperion structure. As a result:

- Cumulative change in accounting principle – Earmarked was understated by \$46 million and all other was overstated by the same amount.
- Transfers In/(Out) Without Reimbursement – Earmarked was understated by \$135 million and all other was overstated by the same amount.
- Other accounts were overstated or understated by smaller amounts.

#### Statement of Financing

BLM did not properly reconcile Net Cost of Operations (Proprietary) to Budget (formerly the Statement of Financing). Specifically, child accounts were not accurately reflected in certain line items of the reconciliation as follows:

- Allocation Transfer Reconciling Item, Parent Accounts was understated by \$145 million.
- Other Resources That Did Not Affect Net Cost of Operations was overstated by \$145 million.
- Resources That Finance the Acquisition of Assets excluded \$3.3 million of depreciation expense related to child accounts.
- Depreciation and amortization excluded \$3.3 million of depreciation expense related to child accounts.

#### Deposits Note

BLM did not properly reduce the deposit footnote allocations when the custodial liability was removed from deposit funds. We noted \$32 million was recorded to reduce mining and other mineral materials instead of properly reducing oil and gas leases.

#### **Recommendations**

BLM should design and implement appropriate controls over the financial statements, including:

1. Mapping funds in Hyperion to earmarked or non earmarked status on the Statement of Changes in Net Position.
2. Ensuring completeness and accuracy of the reconciliation of net cost of operations to budget.
3. Ensuring proper classification of amount reported in the deposit funds note.

#### **Management Response**

Management has prepared an official response presented as a separate attachment to this report. In summary, management agreed with our findings and its comments were responsive to our recommendations.



## INTERNAL CONTROL OVER PERFORMANCE MEASURES

Our tests of internal control over performance measures, as described in the Responsibilities section of this report, disclosed no deficiencies involving the design of the internal control over the existence and completeness assertions related to key performance measures.

## COMPLIANCE AND OTHER MATTERS

Our tests of compliance with certain provisions of laws, regulations, contracts, and grant agreements, as described in the Responsibilities section of this report, exclusive of those referred to in the FFMIA, disclosed no instances of noncompliance or other matters that are required to be reported herein under *Government Auditing Standards* or OMB Bulletin No. 07-04, and are described below.

The results of our tests of FFMIA disclosed two instances, described below, where BLM's financial management systems did not substantially comply with federal accounting standards. The results of our tests of FFMIA disclosed no instances in which BLM's financial management systems did not substantially comply with federal financial management systems requirements and the USSGL.

### C. Federal Financial Management Improvement Act of 1996

As discussed in the section of our report entitled Internal Controls over Financial Reporting, BLM needs to design and implement controls over (1) accounts payable, and (2) the presentation of earmarked funds and the reconciliation of the net cost of operations to budget.

Statements of Federal Financial Accounting Standards (SFFAS) No. 1, *Accounting for Selected Assets and Liabilities*, defines accounts payable as "amounts owed by a federal entity for goods and services received from, progress in contract performance made by, and rents due to other entities." In addition, SFFAS No. 1 states "when an entity accepts title to goods, whether the goods are delivered or in transit, the entity should recognize a liability for the unpaid amount of the goods. If invoices for those goods are not available when financial statements are prepared, the amounts owed should be estimated."

SFFAS No. 27, *Identifying and Reporting Earmarked Funds*, requires certain funds to be reported as earmarked if certain criteria are met. Finally, OMB Circular A-136 provides guidance on federal financial statements, including the reconciliation of net cost of operations to budget, which is required by SFFAS No. 7, *Accounting for Revenue and Other Financing Sources and Concepts for Reconciling Budgetary and Financial Accounting*.

#### Recommendation

BLM should strengthen its internal controls to ensure the financial statements are prepared in accordance with federal accounting standards.

#### Management Response

Management has prepared an official response presented as a separate attachment to this report. In summary, management agreed with our findings and its comments were responsive to our recommendations.

We noted certain additional matters that we have reported to management of BLM in a separate letter dated December 17, 2007.

## RESPONSIBILITIES

**Management's Responsibilities.** The United States Code Title 31 Section 3515 and 9106 require agencies to report annually to Congress on their financial status and any other information needed to fairly present their financial position and results of operations. To assist the U.S. Department of the Interior (Interior) meet these reporting requirements, BLM prepares and submits consolidated financial statements.

Management is responsible for the consolidated financial statements, including:

- Preparing the consolidated financial statements in conformity with U.S. generally accepted accounting principles;
- Preparing the Management's Discussion and Analysis (including the performance measures), Required Supplementary Information, and Required Supplementary Stewardship Information;
- Establishing and maintaining effective internal control; and
- Complying with laws, regulations, contracts, and grant agreements applicable to BLM, including FFMIA.

In fulfilling this responsibility, management is required to make estimates and judgments to assess the expected benefits and related costs of internal control policies.

**Auditors' Responsibilities.** Our responsibility is to express an opinion on the fiscal year 2007 and 2006 consolidated financial statements of BLM based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Bulletin No. 07-04. Those standards and OMB Bulletin No. 07-04 require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of BLM's internal control over financial reporting. Accordingly, we express no such opinion.

An audit also includes:

- Examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements;
- Assessing the accounting principles used and significant estimates made by management; and
- Evaluating the overall consolidated financial statement presentation.

We believe that our audits provide a reasonable basis for our opinion.

In planning and performing our fiscal year 2007 audit, we considered BLM's internal control over financial reporting by obtaining an understanding of BLM's internal control, determining whether internal controls had been placed in operation, assessing control risk, and performing tests of controls as a basis for designing our auditing procedures for the purpose of expressing our opinion on the consolidated financial statements. We limited our internal control testing to those controls necessary to achieve the objectives described in *Government Auditing Standards* and OMB Bulletin No. 07-04. We did not test all internal controls relevant to operating objectives as broadly defined by the *Federal Managers' Financial Integrity Act of 1982*. The objective of our audit was not to express an opinion on the effectiveness of BLM's

internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of BLM's internal control over financial reporting.

As required by OMB Bulletin No. 07-04 in our fiscal year 2007 audit, with respect to internal control related to performance measures determined by management to be key and reported in the Management's Discussion and Analysis and Performance sections, we obtained an understanding of the design of internal controls relating to the existence and completeness assertions and determined whether these internal controls had been placed in operation. We limited our testing to those controls necessary to report deficiencies in the design of internal control over key performance measures in accordance with OMB Bulletin 07-04. However, our procedures were not designed to provide an opinion on internal control over reported performance measures and, accordingly, we do not provide an opinion thereon.

As part of obtaining reasonable assurance about whether BLM's fiscal year 2007 consolidated financial statements are free of material misstatement, we performed tests of BLM's compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of the consolidated financial statement amounts, and certain provisions of other laws and regulations specified in OMB Bulletin No. 07-04, including certain provisions referred to in FFMIA. We limited our tests of compliance to the provisions described in the preceding sentence, and we did not test compliance with all laws, regulations, contracts, and grant agreements applicable to BLM. However, providing an opinion on compliance with laws, regulations, contracts, and grant agreements was not an objective of our audit and, accordingly, we do not express such an opinion.

Under OMB Bulletin No. 07-04 and FFMIA, we are required to report whether financial management systems for executive departments and agencies subject to the *Chief Financial Officers Act of 1990* substantially comply with (1) Federal financial management systems requirements, (2) applicable Federal accounting standards, and (3) the United States Government Standard General Ledger at the transaction level. Although BLM is not required to report on FFMIA, BLM has elected to report on FFMIA. Therefore, we performed tests of compliance with FFMIA Section 803(a) requirements.

\* \* \* \* \*

This report is intended solely for the information and use of BLM's management, Interior's management, Interior's Office of Inspector General, OMB, the U.S. Government Accountability Office, and the U.S. Congress and is not intended to be and should not be used by anyone other than these specified parties.

KPMG LLP

December 17, 2007



**BUREAU OF LAND MANAGEMENT**

**Status of Prior Year Findings**

**September 30, 2007**

<b>Ref</b>	<b>Condition</b>	<b>Status</b>
<b>A</b>	Accounting for Mineral Leases	This condition has not been completely corrected and has downgraded to a management letter comment in fiscal year 2007.
<b>B</b>	Reporting the Condition of Museum Collections	This condition has been corrected.
<b>C</b>	Federal Financial Management Improvement Act of 1996 (FFMLA)	This condition from the prior year has been corrected.

ATTACHMENT 2



United States Department of the Interior

BUREAU OF LAND MANAGEMENT

Washington, D.C. 20240

<http://www.blm.gov>



DEC 11 2007

In Reply Refer To:  
1306 (OC-610/WO-800)

Ms. Kimberly Elmore  
Acting Assistant Inspector General  
for Audits  
Office of Inspector General  
Department of the Interior  
1849 C Street, N.W.  
Washington, D.C. 20240

Mr. Jeff Norris  
c/o KPMG LLP  
2001 M Street, N.W.  
Washington, D.C. 20036

Dear Ms. Elmore and Mr. Norris:

Thank you for the opportunity to review and comment on the Draft Independent Auditors' Report on the Bureau of Land Management's (BLM) Financial Statements for Fiscal Years 2007 and 2006 (Assignment No. X-IN-BLM-0016-2007). We appreciate the efforts that the Office of Inspector General and KPMG have provided on our behalf. The BLM's detailed written comments and responses are enclosed.

If you have any questions regarding this response, please contact Helen Prosser, BLM National Operations Center, at 303-236-6329.

Sincerely,

For James L. Caswell  
Director

Enclosure

Draft Independent Auditors' Report on the Bureau of Land Management's (BLM)  
Financial Statements for Fiscal Years 2007 and 2006  
(Assignment No. X-IN-BLM-0016-2007)

**Recommendation A: Accounts Payable Accrual Methodology**

BLM should design and implement adequate processes and controls over accounts payable to ensure changes to its operations are properly reflected in the methodology, including the following:

1. Develop and implement an accounts payable accrual methodology for the SNPLMA program.
2. Revise the existing accounts payable methodology, and evaluation of the estimate, for the consideration of the SNPLMA program.

**Response:**

The BLM concurs with the recommendations. The following actions have been taken or will be taken to address the specific items noted:

During Fiscal Year (FY) 2007, the BLM performed an analysis and review of the outstanding Southern Nevada Public Land Management Act (SNPLMA) obligations as of September 30, 2007. The local governments and Federal agencies were contacted and asked to determine the dollar amount of expenditures that had been incurred for which they would be billing the BLM in the next FY. It was determined that there were open expenditures of approximately \$92 million of which \$34 million had currently been accrued through the eliminations process, for those bureaus associated with the Department of the Interior, and was included in the BLM financial statements. The remaining \$58 million was accrued in Hyperion, the official accounting system for financial reporting, with an adjusting journal entry.

The BLM will design and implement adequate processes and controls over accounts payable to ensure changes to its operations are properly reflected in the methodology. Specifically, the BLM will develop and implement an accounts payable accrual methodology for the SNPLMA program and revise the existing accounts payable methodology, and evaluation of the estimate, for consideration of the SNPLMA program.

**Recommendation B: Financial Reporting**

BLM should design and implement appropriate controls over the financial statements, including:

1. Mapping funds in Hyperion to earmarked or non-earmarked status on the Statement of Changes in Net Position.
2. Ensuring completeness and accuracy of the reconciliation of net cost of operations to budget.



3. Ensuring proper classification of amount reported in the deposit funds note.

**Response:**

The BLM concurs with the recommendations. The following actions have been taken or will be taken to address the specific items noted:

**Earmarked Funds**

*BLM did not properly map earmarked funds in Hyperion to ensure proper presentation of the Statement of Changes in Net Position. Funds related to child accounts were improperly excluded from earmarked funds in the Hyperion structure.*

During FY 2007, the BLM remapped the entity structures to properly present the child accounts within the Statement of Changes in Net Position. The correction performed in FY 2007 will alleviate misstatements in future periods.

**Statement of Financing**

*BLM did not properly reconcile Net Cost of Operations (Proprietary) to Budget (formerly the Statement of Financing). Specifically, child accounts were not accurately reflected in certain line items of the reconciliation.*

During FY 2007, the BLM corrected Excel formulas to ensure that all line items for child accounts were calculated properly within the Reconciliation of Net Cost of Operations (Proprietary) to Budget (formerly the Statement of Financing). For FY 2008, a Corrective Action Plan (CAP) will be developed to determine a correction of these types of issues for current and future periods.

**Deposits Note**

*BLM did not properly reduce the deposit footnote allocations when the custodial liability was removed from deposit funds. We noted \$32 million had improperly reduced mining and other mineral materials instead of reducing oil and gas leases.*

During FY 2007, the BLM corrected Excel formulas to ensure that all line items are captured in the appropriate category of the Deposit Note. During FY 2008, a CAP will be developed to determine a correction of these types of issues for current and future periods.

**Recommendation C: Federal Financial Management Improvement Act of 1996**

BLM should strengthen its internal controls to ensure the financial statements are prepared in accordance with federal accounting standards.

**Response:**

The BLM concurs with the recommendations. The BLM will continue to strengthen its internal controls (by the processes and controls mentioned above) to ensure the financial statements are prepared in accordance with Federal accounting standards.

ATTACHMENT 3

**STATUS OF AUDIT REPORT RECOMMENDATIONS**

<u>Recommendation</u>	<u>Status</u>	<u>Action Required</u>
A.1., A.2., B.2., B.3., and C.	Resolved; not implemented	Recommendations will be referred to the Assistant Secretary, Policy, Management and Budget for tracking of implementation.
B.1.	Resolved and implemented	No action required.

# Other Accompanying Information

## Appendix A: 2007 Strategic Matrix

Strategic Goals Strategic Outcome Goals Primary Work Process Beg. Ltr. Program Element	Resource Protection			Resource Use				Recreation	Serving Communities
	PEO.1 - Improve health of landscapes and watersheds	PEO.2 - Sustain biological communities	PEO.3 - Protect cultural and natural heritage resources	UEO.1 - Energy		UEO.3 - Land-Related Resources			
	UEO.1.A - FOSSIL FUELS - Manage or influence resource use to enhance public benefit, promote responsible development, and ensure appropriate value	UEO.1.B - RENEWABLES - Manage or influence resource use to enhance public benefit, promote responsible development, and ensure appropriate value	UEO.3.A - FORAGE - Manage or influence public benefit, promote responsible development, and ensure appropriate value	UEO.3.B - FOREST PRODUCTS - Manage or influence public benefit, promote responsible development, and ensure appropriate value	UEO.3.C - NONENERGY MINERALS - Manage or influence public benefit, promote responsible development, and ensure appropriate value				
A			AE, AJ, AK				AL	AM, AP, AQ	
B	BF, BH, BN, BO, BP, BQ, BR, BT, BU, BV, CB	BS	BC, BD, BE, BW, BZ			BB	BA, BY	BG, BI, BJ, BK, BL, BM, BX	
C									
D	DF	DK	DC, DI				DA	DB, DD, DJ, DN, DO, DP, DQ, DR, DS, DT, DU, DV, DW	
E	EC		FB, FD	EI, EJ, EL, EM, FF, FI, FJ, FK, FT, GA, GB, GC, GD			EA, EB, FH, FU, FV	EQ, ER, ES, ET, EU, FM, FN, FO, FP, FQ, FR	
F									
G									
H	HO, HP, IT, JA, JB, JC, JD, JE, JF, JH, JI, JK, JL, JM, JN, JO, JR, JS, JX, JZ	JG, JP	HF, HG, HI, JJ				EG	GS, GU, GV, GW, GX, HM, HN, HQ, HT, HU, HV, HX, HY, IG, IH, II, IJ, IK, IL, IM, IN, IO, IP, IQ, IR, IX, IY, IZ, JT, JU, JW, KA, KB, KC, KD	
I							ED, EE, EF	GT, GY, GZ, IA, IB, IC, ID, IE, IF, IU, IV, IW	
J									
K									
L	MB, MG, MJ, MK, ML, NM, MO, MQ, MR, MT, MU, MX, MZ		MC, MD, ME, MP, MY				MA, MV	MI	
M									
N	NP, NQ	PH	NK	NB, NC, NG			NX	NH, NJ, NU, NV, NY, NZ, OA	
O			PC				PA, PM	PN	
P									
Q									
R									
S									
T									
U									
V									
W									
X									
Y									
Z									







## Appendix B: BLM's High-Level Work Processes

### Used to Guide the Development of Program Elements and Workload Measures

In the course of developing its initial strategic plan and cost management system, BLM identified nine horizontal, cross-cutting business processes that describe all of the BLM's work at the highest level. These processes represent the major functional categories that are the means to accomplish the BLM's strategic and mission goals. The nine high-level work processes and a brief definition of each are as follows:

#### 1. Provide Outreach/Customer Service:

This work process provides information and responses to customers and provides services to recreational visitors using the public lands, environmental education and interpretation, maps, and brochures as well as interactions with advisory committees and local governments on social, economic, and environmental needs. The proactive public affairs/public relations efforts BLM conducts for public awareness are covered under this work process.

#### 2. Assess/Inventory Condition/Status:

This work process provides for the compilation, collection, analysis, and interpretation of basic land ownership, natural resources, social, and economic information used to describe existing conditions and trends affecting the public lands and resources, including establishing the boundaries of the public lands and maintaining the records of public land ownership and use.

#### 3. Perform Planning:

This work process provides for the preparation, revision, publication, evaluation,

and modification of broad-scale BLM management plans and plan decisions, which establish resource condition objectives and land-use allocations, including NEPA analysis and preparation of NEPA documents.

#### 4. Authorize Use:

This work process provides for issuing licenses, permits, leases, rights-of-way, use agreements, and other authorizations to use public lands and resources, including the development of stipulations, terms, and conditions to support such use authorizations.

#### 5. Implement BLM-Initiated Actions:

This work process provides for on-the-ground resource project development and maintenance, land treatment applications, and other public lands actions to carry out management decisions such as land exchanges and disposals, including the Alaskan National Interest Lands Conservation Act and Alaskan Native Claims Settlement Act. Also it includes fire suppression and fuels management actions, wild horse and burro roundups and adoptions, and hazardous materials site and abandoned mine land cleanups.

#### 6. Perform Monitoring:

This work process provides verification of whether specific management decisions are being implemented and specific management objectives are being achieved through the comparison of conditions over time. It also includes the analysis and interpretation of monitoring data and information.

#### 7. Manage Compliance:

This work process provides for ensuring compliance with, and enforcement of, regulatory requirements for both authorized uses and unauthorized activities on the public lands. The work involves inspection and enforcement of stipulations, terms, and conditions required as part of use

authorizations. Enforcement efforts may involve administrative, civil, or criminal actions if findings involve violations of Federal laws or regulations.

#### 8. Manage Work:

This work process provides the broad management and planning of mission performance and goal accomplishment. It includes setting work goals and priorities, establishing and providing program guidance, planning and requesting program resources, workforce supervision, work accomplishment monitoring, performance measurement, and performance evaluation. This process is scalable at any necessary level, including national, regional, local, and landscape levels.

#### 9. Sustain the Organization:

This work process provides for the internal management functions that support

the overall BLM organization and that cannot be tied to specific mission functions or program outputs. These functions include budgeting, human resources, executive direction, property, space, vehicles, and utilities management, for example.

Note: the above nine processes do not correspond to the BLM's organization chart. Grouping processes in this way permits the BLM to identify functions shared across organizational boundaries, where economies of scale may be possible. The groupings help to indicate where further business process re-design and detailed task analysis could identify business improvements and where additional efficiencies may be possible. Management is making investments now so that the agency will work better in the future. For additional information visit the Bureau architecture website at <http://web.wo.blm.gov/blma/>.

## Appendix C: List of Acronyms and Abbreviations

		EMS	Environmental management systems
		EPA	Environmental Protection Agency
ABC/M	Activity-based costing management	ESN	Enterprise Service Network
AICR	Alternative internal control review	FAM	Financial administration memorandum
AMR	Appropriate management response	FAM	Financial audit manual
APD	Application for permit to drill	FASAB	Federal Accounting Standards Advisory Board
API	Asset priority index	FCI	Facility condition index
ASAP	Automated standard application for payment	FFMIA	Federal Financial Management Improvement Act
AUM	Animal unit month	FFS	Federal Financial System
BLM	Bureau of Land Management	FMFIA	Federal Managers' Financial Integrity Act
Bur/PART	Bureau-specific measure developed from the program assessment rating tool	FPA	Fire program analysis
C&A	Certification and accreditation	FRPP	Federal real property profile
CASHE	Compliance assessment for safety, health, and the environment	FTE	Full-time equivalent
CFOC	Chief Financial Officer's Council	FTP	Full-time permanent
CHEU	Crude helium enrichment unit	FY	Fiscal year
CT	Computed tomography	GAAP	Generally accepted accounting principles
DOI	Department of the Interior	GAO	Government Accountability Office
EDL	Environmental and disposal liabilities	GPRA	Government Performance and Results Act
EDRR	Early detection and rapid response	GSA	General Services Administration
ELT	Executive Leadership Team	HMA	Herd management area
		I&E	Inspection and enforcement
		I-READ	Interior readiness



## Other Accompanying Information

IT	Information technology	PAR	Performance and accountability report
IMT	Incident management team	PART	Program assessment rating tool
LBA	Lease by application	PFC	Proper functioning condition
LUP	Land use planning	P.L.	Public law
MEO	Most efficient organization	PMA	President's management agenda
MLR	Management of lands and resources	POA&M	Plan of actions and milestones
MMBF	Million board feet	RMP	Resource management plan
MMS	Minerals Management Service	SAS	Statement of auditing standards
NEPA	National Environmental Policy Act	SCD&F	Service charges, deposits, and forfeitures
NHPA	National Historic Preservation Act	SCI	Stratified cost index
NIFC	National Interagency Fire Center	SGL	Standard general ledger
NIST	National Institute of Standards and Technology	SMRA	Special recreation management area
NLCS	National Landscape Conservation System	SNPLMA	Southern Nevada Public Land Management Act
NTC	National Training Center	SP	Strategic plan
O&C	Oregon and California	SP/PART	Strategic plan measure developed from the program assessment rating tool
OEPC	Office of Environmental Policy and Compliance	SQL	Standard query language
OHV	Off-highway vehicle	SRP	Special recreation permit
OIG	Office of the Inspector General	U.S.C.	United States Code
OMB	Office of Management and Budget	WCF	Working Capital Fund
OS	Office of the Secretary	WUI	Wildland urban interface

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Additional figures appear in the “Performance Report” section on the accompanying CD; they are identified by performance measure numbers rather than figure numbers. Table 17 also appears on the CD.











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