



United States
Department of
Agriculture
Forest Service



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Highlights of the FY 2005 Forest Service Performance and Accountability Report



05



Mission

The mission of the U.S. Department of Agriculture (USDA) Forest Service “to sustain the health, diversity, and productivity of the Nation’s forests and grasslands to meet the needs of present and future generations” is based on the relationship of the American people and their precious natural resource heritage. In managing more than 192 million acres of the National Forest System (NFS), the Forest Service has many programs, as well as partners, that contribute toward the sustainability

of the resources and the successful accomplishment of the mission.

Forest Service executive leadership selected the fiscal year (FY) 2005 Executive Priorities as the key performance measures aligned to the *USDA Forest Service Strategic Plan for Fiscal Years 2004-2008*. These priorities are the basis for the Forest Service’s *Performance and Accountability Report—Fiscal Year 2005 (P&AR)*.¹

¹To meet accelerated reporting timelines for FY 2005, the Forest Service projected annual accomplishments prior to the close of the fiscal year. As a result, all performance information in the P&AR is preliminary, whereas in this Highlights of the FY 2005 Forest Service Performance and Accountability Report, the information is the 12-month actual performance. Therefore, there are differences between the two sets of data.



Forest Service Centennial

In 2005, the USDA Forest Service commemorated its centennial, celebrating 100 years of accomplishments and the more than half a million employees who have cared for the land. A highlight of the centennial was at the 39th annual Smithsonian Folklife Festival in Washington, DC, where more than 1 million visitors participated in the “Forest Service, Culture, and Community” living exhibition on the National Mall.

Message From the Chief

A core value for the Forest Service is accountability. We owe it to the people we serve to do what we say we will do. The USDA Forest Service 2005 Performance and Accountability Report helps us be accountable to the American people. It evaluates our management and measures our performance in fiscal year (FY) 2005 against the goals set forth in our strategic plan for fiscal years 2004-08. It also outlines our financial situation and the challenges ahead, giving us a complete overview of where we stand as an agency.

The results reported here show the dedication and passion of Forest Service employees working in cooperation with partners, communities, and other stakeholders toward the successful accomplishment of our mission to sustain the health, diversity, and productivity of the Nation's forests and grasslands to meet the needs of present and future generations.

Many Forest Service managers and executives contributed or reviewed the data used in this report. Except where we point out and discuss specific limitations in the Management Discussion and Analysis, Management Controls, Systems and Compliance with Laws, I offer assurance that the data are a valid, reliable, and accurate measure of our performance. They tell us both where we have made real progress and where we still have room for improvement.

So where do we stand? In my view, we are not yet where we want to be, but we are well on our way, thanks in part to the considerable progress we made last year.

For one thing, we improved our management. We met requirements under the Government Performance and Results Act, and we contributed to achieving the President's Management Agenda, partly by continuing to develop a strong performance accountability system. We took several steps to improve our internal controls for performance accountability. For example, we established an interim policy on implementing effective internal controls for performance data reporting, and we created a process for reviewing and validating our performance measures for consistent performance reporting across the Agency.

Our stewardship accomplishments also show progress. We made tangible contributions toward achieving the goals of the Healthy Forests Initiative and Healthy Forests Restoration Act. At the same time, we made progress in addressing the four greatest threats to the health of our Nation's forests and grasslands: fire and fuels, invasive species, loss of open space, and unmanaged outdoor recreation.

The 2004-2008 Strategic Plan addresses these threats by providing six goals with performance measures to evaluate our success: (1) reduce the risk from catastrophic wildland fire, (2) reduce the impact from invasive species, (3) provide outdoor recreational opportunities, (4) help meet energy resource needs, (5) improve watershed condition, and (6) conduct mission-related work in addition to that which supports the agency goals. As a subset of these long-term goals and their targets in the strategic plan, this 2005 Performance and Accountability Report addresses the agency's executive priorities.

Here are just a few representative accomplishments detailed in this report:

- We did an outstanding job of suppressing wildfires, and we gave our wildland fire managers new incentives for reducing suppression costs while still safely managing fires.
- We treated a record number of acres for hazardous fuels and brought considerably more acreage into stewardship contracts and partnership agreements.
- We purchased conservation easements and key tracts of land to protect open space for future generations.

- We helped private landowners become better forest stewards.
- We caught up on some of the deferred maintenance of our recreation facilities.
- We accelerated research and technology development to better understand and manage our Nation's forests and grasslands.
- We carried out activities to celebrate our centennial—a hundred years of caring for the land and serving people.

Our financial situation continues to improve. The independent auditor initially rendered a qualified opinion as the FS was unable to provide sufficient evidential matter to substantiate the presentation of certain line items within the FY 2005 Consolidated Statements of Financing. However, the agency provided sufficient evidential matter to substantiate the fair presentation of these line items and the auditors subsequently issued an unqualified opinion. The significant effort that has been directed toward improving our financial accountability is paying off. Four consecutive unqualified opinions vastly improve our credibility as an organization with both Congress and the Administration.

We also addressed a number of other issues related to our financial situation:

- Under the Federal Managers Financial Integrity Act, we strengthened our financial integrity by centralizing financial operations and reengineering many of the associated processes to ensure that our programs operate efficiently and effectively. We provided reasonable assurance that our systems of internal accounting and administrative control are adequate. We thereby demonstrate our ability to protect public funds and property and to manage them well.
- We believe we have achieved substantial compliance with the Federal Financial Management Improvement Act. We made significant progress toward resolving issues related to the general control environment. As part of restructuring our organization for information technology, we are in the process of reviewing and revising our policies and procedures for managing entitywide software and hardware. We plan to complete this process in the second quarter of fiscal year 2006.

Despite our many successes, there are daunting challenges ahead. They range from risks associated with wildfires, to ongoing drought in the West, to invasive species such as sudden oak death in California, to accumulated woody biomass and the high costs of marketing it as a renewable source of energy, to the growing maintenance backlog for our roads and facilities. Our leadership is looking ahead to these and other challenges, including growing needs related to law enforcement and the need to develop metrics and markets for ecosystem services. We also face growing threats to wildlife habitat because zoning ordinances provide limited protection for open space.

I believe that we will rise to the challenge—and this report shows it. As we close another successful year for the Forest Service, I am proud to report that we were able to accomplish our mission, thanks to the skill and hard work of our employees. The results reported here reflect the dedication and passion of our employees, and I am confident that they will continue to fulfill our mission. In collaboration with partners, communities, and other stakeholders, we will continue to sustain the health, diversity, and productivity of our Nation's forests and grasslands to meet the needs of present and future generations.



Dale N. Bosworth
Chief

GOAL

1

Reduce the Risk of Catastrophic Wildland Fire

Wildland fire is a natural component of ecosystem processes. It is also a threat to communities and the environment. The challenge is to manage wildland fire in natural systems, while reducing the risk of losses from catastrophic fire. This challenge has dramatically increased in complexity and magnitude over the decades. Since 2002, five States have had record fires.

The likelihood of loss from natural or human causes depends on the vulnerability of the ecosystems at the time of the event. Many ecosystems must be returned to, and maintained

in, a resilient state to mitigate loss from unexpected events. Natural factors, including prolonged drought and lower than average precipitation, contribute significantly to the risk. Other factors include arson and accidental human-caused fires, as well as administrative appeals of proposed fuel treatment projects and litigation. While wildland fire is an element of natural ecosystem processes, catastrophic wildland fire is not.

The agency has made great strides in its focus on restoring fire-adapted ecosystems in collaboration

FACTS

- *Dry ponderosa pine stands originally had 30 to 40 trees per acre; now they often have thousands of trees, setting the stage for historically unprecedented wildfires.*
- *Tens of millions of acres nationwide are at high to moderate risk from fires that could threaten human safety and ecosystem integrity.*
- *An exceptionally severe fire can produce flames 400 feet high and burn hotter than 2,000 degrees, producing hurricane-force winds.*

Mark Twain National Forest Adds Mobile Weather Station to Firefighting Arsenal

In FY 2005, the Mark Twain National Forest in Missouri commissioned a mobile weather station to provide real-time data for fighting wildland fires and conducting controlled burns.

Fire experts say the new tool will help reduce the risk of catastrophic fires. The solar-powered weather station monitors wind speed and direction, precipitation, barometric pressure, fuel moisture, solar radiation, air

temperature, and relative humidity. In 10 minutes, it can be taken to the site of a wildfire or controlled burn, quickly deployed, and started up to provide weather for real-time weather data. Firefighters from anywhere on the fire can then access weather information by radio.

The Mark Twain National Forest will also use the portable weather station when conducting large prescribed fires.

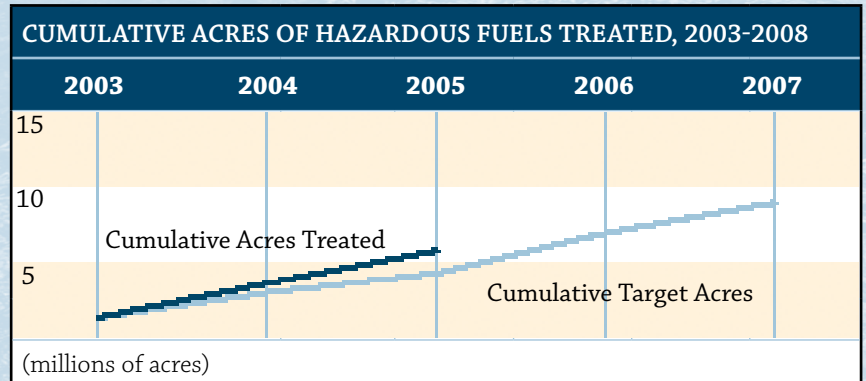
A Forest Service employee examines the new mobile weather station on the Mark Twain National Forest in Missouri.



with local communities. Since 2001, the Forest Service has treated more than 13 million acres under restoration projects of all kinds. That's an area about the size of Vermont and New Hampshire, combined.

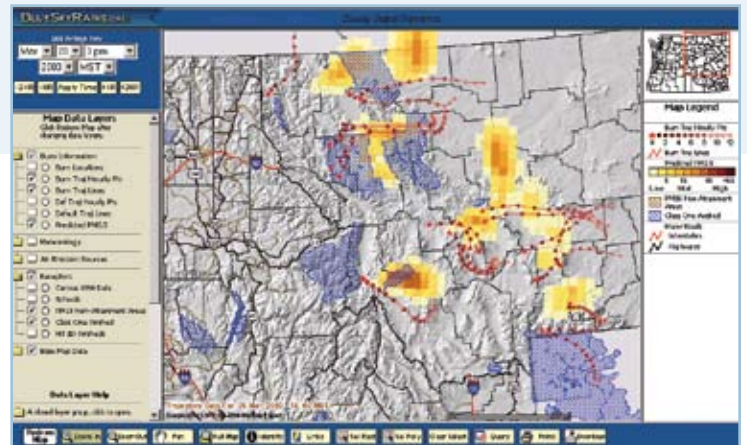
Based on the results of the FY 2002 Program Assessment Rating Tool (PART) review by the Office of Management and Budget (OMB), the Wildland Fire Management Program has increased emphasis on accountability for firefighting costs, including improving management oversight and ensuring that States are paying their fair share of such costs. Also, the Forest Service strengthened hazardous fuels project criteria to ensure that

funds are effectively targeted. Finally, the agency has prioritized the timely implementation of two new systems—one that effectively allocates fire preparedness resources such as firefighters and equipment across broad regional areas and the other to prioritize areas for fuels reduction projects and fire suppression efforts.



- About 99 percent of unplanned and unwanted wildland fires are controlled during initial attack on national forest land each year.
- Restoration treatments to prevent exceptionally severe fires in degraded forests cost about one-seventh as much as fighting them.

An example of a predictions map produced from the BlueSky smoke modeling system.



North Central Research Station Uses BlueSky Technology To Predict Fire Behavior

In FY 2005, researchers at the Forest Service's North Central Research Station in Minnesota tested and put into operation the BlueSky smoke modeling framework for prescribed fires. BlueSky is a fire-weather, fire-behavior, and smoke-transport predictive tool that aids fire and air-quality management.

Researchers assessed and used BlueSky to identify atmospheric signs and processes important for fire-weather evolution and to develop a three-layer at-

mospheric model to improve fire-behavior predictions that, in turn, can help reduce fire and smoke impacts and increase firefighter safety.

As a result of these efforts, fire and air quality managers in the

North Central and Northeastern United States are now using new and improved science-based tools for predicting fire weather, fire behavior, and air quality.

GOAL

2

Reduce the Impacts from Invasive Species

The Forest Service considers the threat of invasive species one of the most significant environmental and economic issues facing the Nation. Every year, the increase in infestations and their impacts reduce the agency's ability to sustain the health and productivity of NFS lands, as well as nonindustrial private forest (NIPF) lands in partnership with our State and Private Forestry programs. In FY 2005, the Forest Service treated 120,040 acres of noxious weeds and 1,083,566 acres of selected invasive species.

Invasive species—particularly insects, pathogens, plants, and aquatic pests—pose a long-term risk to the health of the Nation's forests and grasslands. They interfere with natural and managed ecosystems, degrade wildlife habitat, reduce the sustainable production of natural resource-based goods and services, and increase the susceptibility of ecosystems to other disturbances, such as fire and flood.

FACTS

- *Invasive plants cover about 133 million acres nationwide, an area the size of California and New York combined.*
- *Major invasive-weed threats include cheatgrass, leafy spurge, knapweeds and starthistles, saltcedar, nonindigenous thistles, purple loosestrife, and kudzu.*
- *Nationwide, 70 million acres are at serious risk from 26 different insects and diseases, including many invasive species.*
- *Major invasive insects and diseases include gypsy moth, hemlock woolly adelgid, dogwood anthracnose, Asian longhorned beetle, white pine blister rust, sudden oak death, Port Orford cedar root disease, and beech bark disease.*
- *All invasive species combined cost the United States an estimated \$138 billion per year in total economic damages and associated control costs.*

Willamette National Forest Restores Traditional Plant Species: Camas Used for Food

In the summer of 2005, the Forest Service conducted a controlled burn in the Central Cascades Adaptive Management Area of the Willamette National Forest in Oregon to increase the growth of camas, a traditional indigenous food.

Camas is a native plant and a component of many healthy wetlands on the west coast. It is also a "heritage" species of interest to local tribes. Raw or baked, camas root is eaten by indigenous people of the West.

The burn, conducted on Camas Prairie in the Sweet Home Ranger District, was the prairie's fourth controlled burn

for restoration purposes since 1998. It was followed by a fall planting of camas seed collected earlier in the summer. Sweet Home Ranger District botanist Alice Smith, other employees, and volunteers accomplished the work to help promote production of camas and other native plant species, reduce rodent populations, restore a degraded wetland, and prevent Oregon ash from encroaching on the prairie.

The land is responding with a nearly three-fold increase in flowering camas.

Restoration partners include the Bureau of Land Management's

Eugene District, Confederated Tribes of the Grand Ronde, the Confederated Tribes of the Siletz Indians, private contractors, Oregon State University, and Lane Community College.



Prescribed fire is used to restore a wetland and enhance production of camas, a traditional indigenous food source on the Willamette National Forest.

GOAL

3

Provide High-Quality Recreation While Sustaining Resources

The Forest Service offers a wide range of recreational opportunities and services in various settings. Camping, picnicking, fishing, hiking, and sightseeing in the backcountry or urban areas, as well as visiting cultural sites, are all part of the recreation program. The agency's recreation infrastructure is the basis for three of the Executive Priorities.

In FY 2005, the Forest Service maintained to standard 72,376 miles of roads on NFS lands.

In FY 2005, the Forest Service maintained 25,208 miles of trail.

The unmanaged use of off-highway vehicles (OHV) is increasingly impacting NFS lands. In recent decades, OHV use on national forest land has grown from next to nothing to roughly 11 or 12 million visits a year.

The Forest Service maintained 26,238 facilities to standard in FY 2005.

Fact

■ *There are 35 million acres of designated wilderness and more than 50 million acres of wild backcountry on national forest land, including vast tracts of old-growth forest.*

■ *There are 133,000 miles of trail on more than 192 million acres of national forests and grasslands.*

■ *Some 46 million anglers and 28 million hunters use national forest land each year, together contributing some \$14.6 billion to the economy.*

New Traffic Counter

Improves Forest

Recreation Planning at

Land Between The Lakes

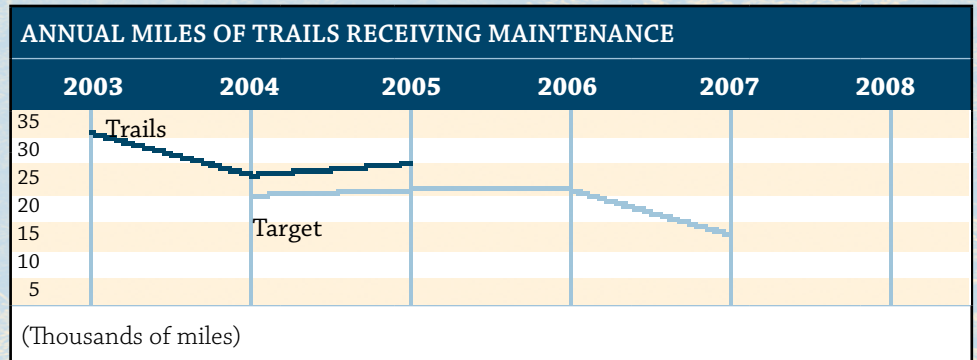
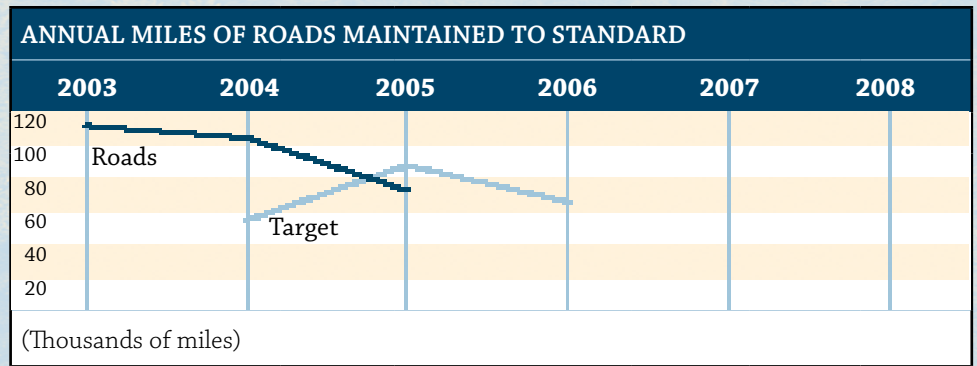
In April 2005, the Forest Service's technology and development centers in San Dimas, CA, and Missoula, MT, completed testing and modification of a new vehicle counter. Its data can be applied to forest use planning at the Land Between The Lakes National Recreation Area.

The project, initiated in the winter of 2004, provides more information about how forest visitors use roads and trails by collecting traffic data on

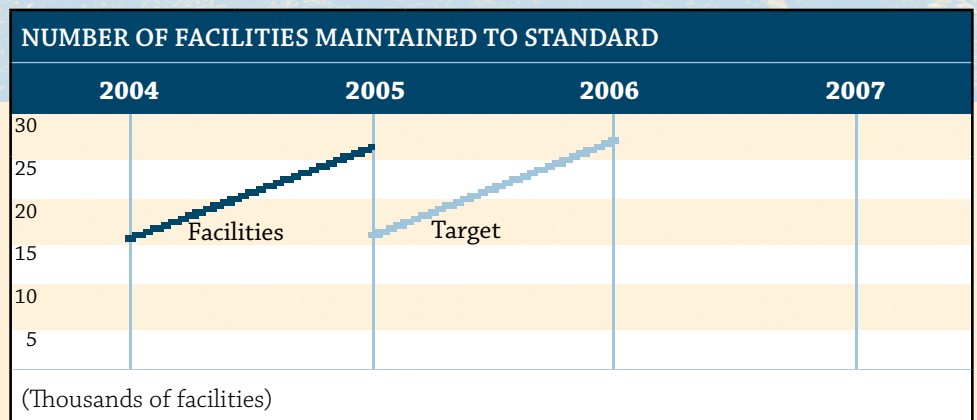
motorized vehicles by the hour and day. Previous counters only gave a running total of cars entering Land Between The Lakes, not hourly counts, making resource decisions for heavily trafficked areas challenging.

The new traffic counter also has the ability to count mountain bike traffic and transmit data to Land Between The Lakes' administration center via a wireless link.

Supporting the delivery of this goal are Forest Service Research and Development (R&D) activities. Studies conducted in the areas of Recreation and Tourism, Human Interactions with Forests and Grasslands, and Wilderness Ecology and Management develop information pertinent to the goal of helping meet the Nation's demand for outdoor recreation.



■ On national forest land each year, some 81.5 million people go hiking or walking; 150.7 million view natural features or wildlife; 23.4 million camp in developed campgrounds; 42.5 million pursue winter sports such as skiing or snowmobiling; and 95 million people spend time just relaxing.



Using vehicle counter technology seen here, facility managers now can plan for forest usage and trail maintenance with detailed knowledge of which sections of the forest are used most often.

GOAL

4

Help Meet Energy Resource Needs

In 2001, the National Energy Policy Group developed a policy framework that “promotes dependable, affordable, and environmentally sound production and distribution of energy for the future.” This framework—the National Energy Policy—will be considered by the R&D, State and Private Forestry, and NFS Deputy Areas as the Forest Service implements the policy’s recommendations:

- Increase domestic production of traditional energy sources (e.g., oil, natural gas, and coal) in environmentally sound ways.
- Capitalize on the potential of woody biomass as a renewable energy source.

- Increase local industrial and community infrastructure necessary for harvesting, processing, and marketing biomass for energy and other bioproducts.
- Enhance our existing infrastructure for transmitting energy across the country.

In FY 2005, there were two Executive Priority measures that addressed these recommendations—one for energy facility applications and another for oil and gas applications. Both measures dealt with processing and approving the applications within prescribed timelines.

■ *Permits are issued to remove about 400,000 cords of firewood each year, allowing people to supplement their heating throughout the winter months.*

■ *The Fuels for Schools program in the West uses hazardous fuels removed from national forest land to heat school buildings.*

Facts

Forest Service Maps Mark Best Places To Grow Trees for Bioenergy

In FY 2005, researchers at the North Central Research Station developed special maps that mark planting sites favorable for the best growth of hybrid poplar trees, using geographical information systems, tree growth data, and disease data.

The goal of the research is to use science-based, planting site selection to reduce disease-related losses and increase hybrid poplar productivity. Hybrid poplars

are new tree varieties, created by traditional plant breeding techniques.

Although hybrid poplars are among the fastest growing trees in North America and are well suited for the production of bioenergy (e.g., heat, power, and transportation fuels), they can be susceptible to diseases.

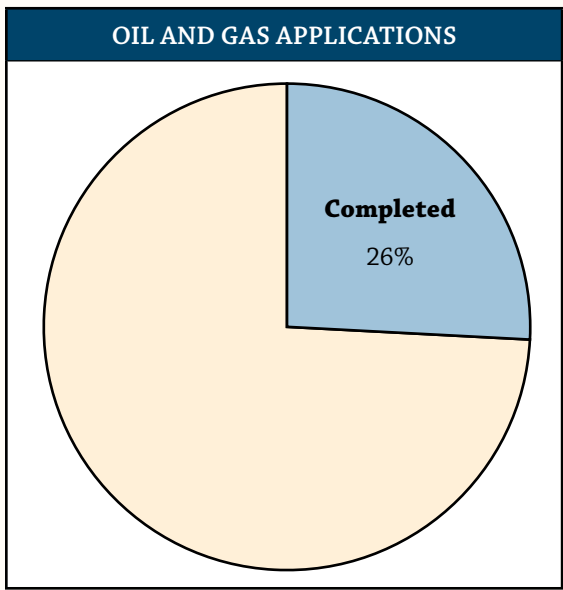
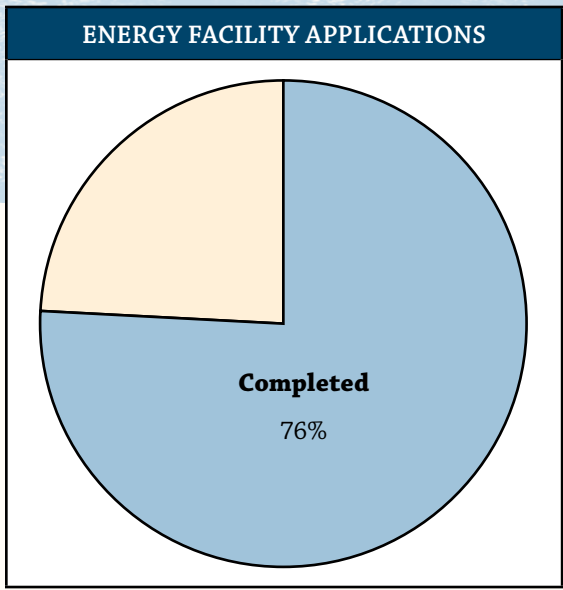
The use of disease risk maps to site plantations will help create

a reliable and renewable energy resource. Farmers can diversify their agricultural operations and realize better returns on their investments. Hybrid plantations will also help fill societal needs for wood and paper products, taking pressure off natural forest lands.

The Forest Service approved 76 percent of its energy facility applications and 26 percent of its oil and gas applications within prescribed timelines during this fiscal year.

The results of the FY 2005 PART review of the Energy Program indicated that the Forest Service must collaborate more closely with its Federal partner, the Bureau of Land Management. This collaboration was found to be sporadic, leading to situations where application processing and program administration are delivered inconsistently. In FY 2006, the agency will work to reduce the backlog of lease applications by implementing authorities provided by the Energy Policy Act of 2005.

The Forest Service is on track with the number of drilling permits processed, but needs to improve timeliness so that the applications are processed in the prescribed timeframes. The PART results also identified that the performance measures for this program are incomplete, particularly relating to compliance with permit conditions and whether violations or outstanding issues are addressed within acceptable timeframes. The Forest Service is addressing these issues in 2006.



Improve Watershed Condition

GOAL

5

Over 60 million people receive at least a portion of their water from national forests and grasslands. This resource is a particularly scarce commodity in the arid West where many communities depend on national forests for their water. Careful planning for, and management of, basic physical and biological resources provides the foundation for healthy, viable watersheds, and for the social and economic needs of communities.

In FY 2005, the Forest Service reported that, based on inventories, 1,179 watersheds, or 30 percent, were found to be in fully functioning condition. The Forest Service enhanced or

restored habitat for 1,623 miles of streams, 19,250 acres of lakes, and 230,867 acres for game and nongame species.

The Forest Stewardship Program (FSP) provides technical, educational, and planning assistance through State forestry agency partners to Nonindustrial Private Forests (NIPF) landowners to encourage and enable active long-term forest management of important private forest resource areas. The FSP is shifting toward a strategic approach that directs assistance to targeted forest resource areas.

■ *Approximately 3,400 communities in 43 States, with a total population of over 60 million people, get drinking water from watersheds on national forests and grasslands.*

■ *Forest Service land managers and soil scientists work together to reduce erosion, restore stability, and improve productivity of the soils, resulting in cleaner water, improved fish and wildlife habitat, and enhanced recreational opportunities.*

Facts

Chippewa National Forest Constructs Riffles To Increase Walleye Spawning Habitat

In FY 2004, the Blackduck District of the Chippewa National Forest in Cass Lake, MN, partnered with a citizen to design and construct two artificial riffles in the Dunbar River to improve walleye spawning habitat.

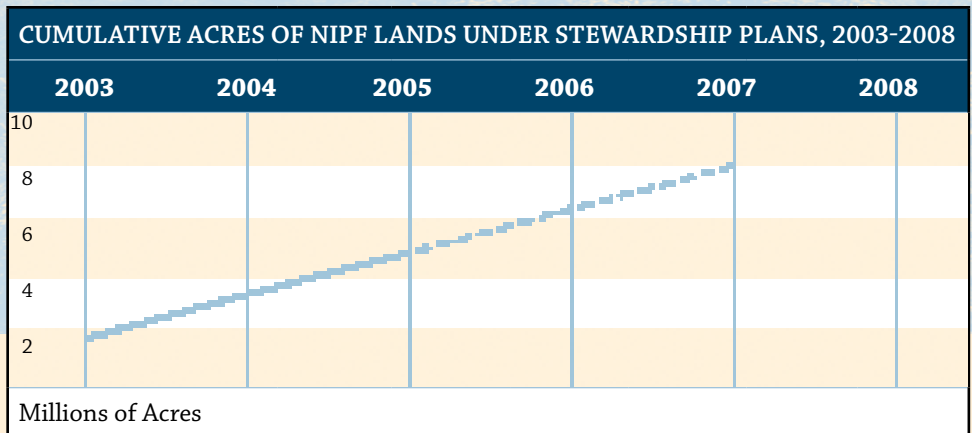
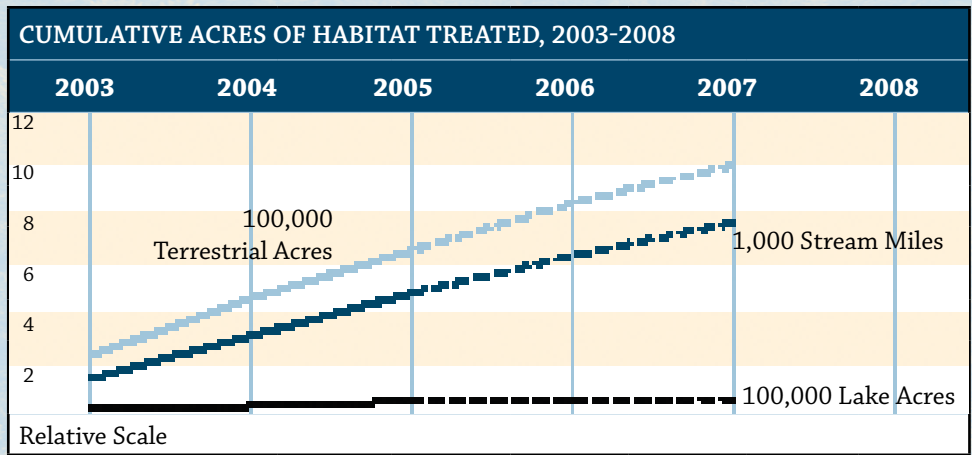
The riffles, formed from large rocks placed just below the surface of the water, span the 25-foot width of the river and are about 40 feet long, each. The structures form a convex mound upstream, and slope gradually downstream. The new spawning riffles join four other riffles placed in the nearby Popple River from 1999 to 2003 to improve watershed condition.

So far, the riffles appear to be working. During March and April 2005, up to 30 walleye on an individual riffle were spotted, up from 19 walleye found in the same location the previous winter.

The Dunbar River Spawning Riffle Project in Minnesota is a successful public/private partnership working to improve watershed conditions.



The benefits of improved watershed conditions go beyond satisfying municipal needs, and may include improved forage conditions; healthier, more resilient forests; improved fish and wildlife habitats, resulting in more robust populations; reduced risks associated with destructive wildfires; and resistance to the establishment and spread of invasive species.



■ Nearly 4 million Americans participate in conservation education programs and activities. About 1.5 million of those people are students, another 90,000 are educators, over half a million are visitors to national forests and grasslands, and the remaining 1.5 million are members of the general public.

Forest Service Scientists Estimate Riparian Area in the Lake States

Scientists at the North Central Research Station in St. Paul, MN, assessed the physical extent of riparian areas across the upper Midwestern United States to provide policymakers needed information about land-use decisions.

The scientists found that nearly half the region's riparian areas are associated with wetlands, while just over one-third are associated with streams and rivers, and the balance with lakes. Twenty-six

percent of riparian areas in the region have been converted to agriculture, while 1.4 percent has been converted to developed (urban/suburban) land uses.

The study provides policymakers and land managers with a sound basis for making decisions affecting sustainability of aquatic ecosystems throughout the upper Midwest. Estimates will allow managers to assess the extent of harm from forestry or agricultural practices. It also will

assess positive ecological and water quality benefits of riparian protection policies and practices to help better manage the land.

GOAL

6

Improve Productivity and Efficiency

The programs in this section are critical to the overall mission of the agency and support one or more of the other five strategic goals.

CONSERVE THE INTEGRITY OF UNDEVELOPED LANDS

The agency continued its efforts to conserve the integrity of undeveloped lands and habitat quality through the acquisition of 48,216 acres and by land adjustments² for 353,770 acres. Another 46,181 acres were protected through the State and Private Forestry's Forest Legacy Program for a total of 448,167 acres.

COMPLETE LAND AND RESOURCE MANAGEMENT PLANS

To allow for better management of NFS lands, the Forest Service completed 10 Land and Resource Management Plans and 105 forest plan monitoring and evaluation reports.

Facts

■ *There are 155 national forests, 20 national grasslands, and 1 national prairie on more than 192 million acres in the NFS, an area the size of America's original 13 colonies.*

■ *The Forest Inventory and Analysis program has collected, analyzed, and reported information on the status and trends of America's forests since 1930.*

Study in Southeast Alaska Tests How Precommercial Thinning Affects Wood Quality

In May 2005, Pacific Northwest Research Station scientists evaluated the wood quality and volume of lumber products manufactured from young-growth western hemlock and Sitka spruce trees in southeast Alaska to determine how precommercial thinning affects wood quality, grade value, and marketing issues.

Scientists at the Ketchikan Wood Technology Center tested sample trees cut in May 2005 from young-growth, even-aged

stands that had been thinned about 20 years ago on Prince of Wales and Mitkof Islands. Logs were sawed into lumber, kiln-dried, and tested for mechanical properties, such as the force required to break boards.

Scientists correlated the characteristics of standing trees and managed stands—tree size and species, stand type, and thinning prescription—to the volume, quality, and mechanical properties of the lumber eventually produced. Results are

helping managers understand the effects of various thinning spacings on wood product volume and quality, essential information in managing these stands for multiple objectives, including marketing of wood products.

The Forest Service Forest Products Laboratory in Madison, WI, and Southern Research Station in Asheville, NC, and the Alaska State Department of Natural Resources are also partners in the study.

MAKE FOREST INVENTORY AND ANALYSIS DATA ACCESSIBLE

As of the end of FY 2005, the Forest Service had made Forest Inventory and Analysis data for 76 percent of the Nation's lands accessible to our external customers.

²Acres (land) adjusted: The total number of acres that are acquired and conveyed through land exchanges, transfers, interchanges and conveyances, excluding Sisk Act (December 4, 1967) acquisitions and excluding State and Private Forestry Legacy acquisitions. Acquired acres include the number of acres that are acquired through land purchases or donation, including conservation easements or interest in land, for National Forest System purpose

■ In 2005, the Forest Inventory and Analysis program was fully implemented in 45 States.

■ The Forest Legacy Program conserves environmentally important forests threatened by conversion to nonforest uses through the acquisition of land or interests in land.

"Pocket Phojo" Is New Tool for Forest Health Assessments

Canopy cover, the amount of trees or vegetation over a stream or a specific area of land, provides valuable information about wildlife habitat, seedling recruitment, erosion potential, and other forest conditions.

Researchers at the San Dimas Technology and Development Center in California are moving digital image analysis of forest canopy cover from personal computers to handheld personal digital assistants (PDAs). The PDA has a canopy filter, which converts the image to black and white, counts the black pixels, and calculates a percent canopy

cover. The image can be edited, allowing the user to remove selected trees and recalculate a post-treatment canopy cover. The PDA allows prompt measurement in the field, leading to better, more efficient resource decisions. Using this technology should give forest managers better indicators of forest health.

An edited hemispherical or fisheye image of a forest canopy where trees have been removed, viewed in "Pocket Phojo" canopy filter mode on an HP4700 with the threshold view turned on.



FY 2005 EXECUTIVE PRIORITIES	2005 PLANNED	2005 PROJECTED¹	2005 ACTUAL²
GOAL 1: REDUCE THE RISK FROM CATASTROPHIC WILDLAND FIRE			
Number of acres of hazardous fuels treated with direct hazardous fuels dollars (FN) that are in the wildland-urban interface	846,352	1,130,906	1,187,854
Number of acres treated with FN dollars that are in Condition Classes 2 or 3 in Fire Regimes 1, 2, or 3 outside the wildland-urban interface	421,746	393,508	371,980
Number of acres of hazardous fuels treated with dollars other than direct hazardous fuels (FNOTH) dollars that are in the wildland-urban interface	NA ³	179,446	393,448
Number of acres treated with FNOTH dollars that are in Condition Classes 2 or 3 in Fire Regimes 1, 2, or 3 outside the wildland-urban interface	NA	217,293	163,082
Percent of communities at risk with completed and current fire management plans or risk assessments	Baseline ⁴	21.5%	22%
Number of acres brought into stewardship contracts	Baseline	22,368	35,478
Number of acres covered by partnership agreements	Baseline	145,979	145,979
GOAL 2: REDUCE THE IMPACTS FROM INVASIVE SPECIES			
Noxious weeds acres treated	75,456	88,688	120,040
Number of acres treated for selected invasive species	918,000	703,697	1,083,566
GOAL 3: PROVIDE HIGH-QUALITY RECREATION WHILE SUSTAINING RESOURCES			
Miles of road maintained to standard (high-clearance and passenger)	87,400	82,104	72,376
Number of facilities maintained to standard	15,802	24,036	26,238
Miles of trail receiving maintenance (formerly to standard)	20,610	22,894	25,208
Number of rights-of-way acquired to provide public access	250	199	229
¹ Projected performance was based on 9 months of actual performance and 3 months of estimated performance.			
² Actual 2005 performance was compiled January 24, 2006. Forest Service 12-month actual performance for the Executive Priorities was analyzed to determine why a planned accomplishment was UNMET (either less than 95 percent of planned performance or greater than 105 percent of planned performance). If an action plan was developed to correct the performance, it was subsequently published in Chapter 3: Performance Measurement of the FY 2007 Budget Justification, which is available for review at http://www.fs.fed.us/aboutus/budget/ .			
³ NA, or not applicable, as targets were set for the total amount, but not at this level of detail.			
⁴ Baseline data are being collected to assess, measure, and allow targets to be established in future years; therefore, no target was assigned.			

FY 2005 EXECUTIVE PRIORITIES	2005 PLANNED	2005 PROJECTED	2005 ACTUAL
GOAL 4: HELP MEET ENERGY RESOURCE NEEDS			
Percent of energy facility applications approved within prescribed timelines	45%	76%	76%
Percent of oil and gas applications approved within prescribed timelines	45%	26%	26%
GOAL 5: IMPROVE WATERSHED CONDITION			
Number of inventoried watersheds in fully functioning condition as percentage of all watersheds	33%	33%	30%
Acres of terrestrial habitat enhanced or restored	184,716	220,112	230,867
Miles of stream habitat enhanced or restored	1,604	1,661	1,623
Acres of lake habitat enhanced or restored	12,824	15,528	19,250
GOAL 6: IMPROVE PRODUCTIVITY AND EFFICIENCY			
Acres adjusted ⁵	20,654	338,752	353,770
Acres acquired	52,775	56,469	48,216
Acres protected by Forest Legacy Program	224,000	44,600	46,181
Acres of land adjustments to conserve the integrity of undeveloped lands and habitat quality	297,429	416,549	359,406
Number of Land and Resource Management Plans completed	16	11	10
Number of forest plan monitoring and evaluation reports completed	118	113	105
NOT ALIGNED TO A STRATEGIC GOAL			
Grazing allotments analyzed with decisions signed (National Environmental Policy Act)	472	620	543
<p>⁵Acres (land) adjusted: The total number of acres that are acquired and conveyed through land exchanges, transfers, interchanges and conveyances, excluding Sisk Act (December 4, 1967) acquisitions and excluding State and Private Forestry Legacy acquisitions. Acquired acres include the number of acres that are acquired through land purchases or donation, including conservation easements or interest in land, for National Forest System purpose</p>			

Message from the Chief Financial Officer

As the Chief Financial Officer of US Department of Agriculture (USDA) Forest Service, I present the consolidated financial statements of the USDA Forest Service for fiscal year (FY) 2005. For three consecutive years beginning in FY 2002, our independent auditor rendered an unqualified, "clean", opinion on our financial statements. For FY 2005, after initially receiving a "qualified opinion related to the Consolidated Statements of Financing, the Forest Service subsequently provided sufficient evidential matter to substantiate certain line items, and a revised unqualified opinion resulted. This unqualified opinion attests to the fact that the Forest Service financial statements are fairly presented and demonstrate discipline and accountability in the execution of our responsibilities as stewards of the American taxpayers' dollars.

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

During FY 2005, the Forest Service implemented business process reforms within its Budget and Finance and Information Resources Management Staffs to ensure that the financial position of the agency remains solid over the long term. In the midst of this reorganization, the Forest Service obtained official closure on 14 of 21 outstanding audits - these audits contained over 200 separate recommendations that were successfully implemented. At the end of FY 2005, our outstanding audit recommendations that are one year old or older were 14. For the remaining open audits, we have developed corrective action plans and established target dates for all open recommendations. We anticipate a further reduction in outstanding open audits by the end of FY 2006.

For FY 2005, the Forest Service provided reasonable assurance that our systems of internal accounting and administrative control and reporting of material deficiencies are in substantial compliance with the Federal Managers' Financial Integrity Act of 1982 (FMFIA). The Forest Service completed significant corrective actions regarding its financial management systems and made significant progress in resolving Federal Information Security Management Act (FISMA) noncompliance issues. The agency continues to make progress toward resolving one remaining issue within the general control environment. The development and implementation of entitywide software and hardware management policies and procedures require complete review and revision as a result of organizational restructuring and is targeted for completion in the second quarter of FY 2006.

For FY 2006, the Forest Service commitment to effective and efficient management of its resources continues. Our goals will center on maintaining an unqualified audit opinion, eliminating material weaknesses, ensuring our financial systems and reporting meet Federal requirements, and implementing new initiatives. We continue to focus efforts on improving our ability to provide timely, accurate, and useful financial information with the effort and teamwork of program, business, financial management, and audit staff. I want to extend my appreciation to all individuals and organizations whose dedication and resolve made the FY 2005 unqualified opinion possible. I anticipate another productive year in FY 2006 and continuous improvement in the level of financial services evidenced in our past successes.



Jesse L. King
Chief Financial Officer

Financial Statement Highlights for 2005

ASSETS

The Forest Service reports \$8.2 billion in assets at the end of September 30, 2005. This represents an increase of 9 percent from FY 2004 amounts. This change is partially attributed to an increase in Fund Balance with Treasury (FBwT). FBwT for the periods ending September 30, 2005 and 2004,

increased \$681 million or 20 percent due to the Forest Service receiving additional funding for the Wildland Fire Management Fund. However, fire activity was not as severe in FY 2005, and less money was disbursed compared with FY 2004, resulting in the overall increase in FBwT. The three major asset categories are shown below.

Assests (in millions)	2005	2004	Difference	
			Dollars	Percentages
General Property, Plant, and Equipment	\$3,695	\$3,807	(\$112)	(3%)
Fund Balance with Treasury	4,187	3,506	681	20%
Accounts Receivable, Intragovernmental, and Non-Intragovernmental	269	163	106	65%
Total of Major Categories	\$8,151	\$7,476	\$675	9%
Other Asset Categories	20	14	6	43%
Grand Total Assets	\$8,171	\$7,490	\$681	9%

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

General PP&E also includes assets acquired by the Forest Service to be used for conducting business activities, such as providing goods or services. General PP&E does not include the value of heritage assets³ or stewardship assets⁴. Although heritage and stewardship assets may be considered priceless, they do not have a readily identifiable financial value and are not recorded within the financial statements of the Forest Service. A more indepth discussion of

stewardship assets is presented in the Required Supplementary Stewardship Information (RSSI) section in the FY 2005 USDA Forest Service Performance and Accountability Report.

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

LIABILITIES AND NET POSITION

LIABILITIES

The Forest Service reported \$2.0 billion in liabilities as of September 30, 2005, representing probable future expenditures arising from past events. This amount represents an increase of 7 percent from September 30, 2004. This change was partially due to an increase in Accounts Payable. For the periods ending September 30, 2005 and 2004, the balance increased \$88 million or 187 percent due to factors including the asset balance increase as reflected in the previous table and agency support to Hurricane Katrina relief efforts. The major liability amounts for accounts payable, unfunded leave, Federal Employees' Compensation Act (FECA) benefits, payments to States, and other liabilities appear below.

Federal agencies, by law, cannot make any payments unless Congress has appropriated funds for such payments and OMB has apportioned the funds. A portion of liabilities reported by

the Forest Service on September 30, 2005, however, is currently not funded by congressional appropriations. For example, the unfunded amounts include employees' annual leave (earned but not yet taken) and FECA benefits that have accrued to cover liabilities associated with employees' death, disability, medical, and other approved costs that have not yet been appropriated.

A major program generating unfunded liabilities is Payments to States. A portion of the Payments to States program is funded with agency receipts, and the balance is recorded as an unfunded liability for which the Department of Treasury (Treasury) general receipts are apportioned in the following year when the payments are made. The agency receipts are funds, based on receipts collected during that fiscal year, held by the agency in special receipt accounts pending transfer to the appropriate party for part of the Payments to States. The remaining liability is funded by Treasury general receipts.

Liabilities (in millions)	2005	2004	Difference	
			Dollars	Percentages
Accounts Payable, Intragovernmental and Non-Intragovernmental	\$135	\$47	\$88	187%
Unfunded Leave and FECA Benefits	578	602	(24)	(4%)
Payments to States	378	380	(2)	(1%)
Other Liability Categories	935	859	76	9%
Grand Total Liabilities	\$2,026	\$1,888	\$138	7%

³ Heritage assets are assets that are historical or significant for their natural, cultural, aesthetic, or other important attributes that are expected to be preserved indefinitely.

⁴ Stewardship assets are primarily land held by the agency as part of the National Forest System (NFS) and not acquired for, or in connection with, other General PP&E.

NET POSITION

A net position of \$6.1 billion is reported for FY 2005. This represents an increase of 10 percent over FY 2004 amounts. The change is attributed to numerous factors, including a decrease in net cost of operations. Net position represents unexpended appropriations consisting of undelivered orders, as well as unobligated funds and the cumulative results of operations, as shown below.

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

Net Position (in millions)	2005	2004	Difference	
			Dollars	Percentages
Unexpended Appropriations	\$1,792	\$1,511	\$281	19%
Cumulative Results of Operations	4,353	4,091	262	6%
Total Net Position	\$6,145	\$5,602	\$543	10%

OTHER FINANCIAL ELEMENTS Net Cost of Operations, Expenses, and Budgetary Resources

NET COST OF OPERATIONS

The Forest Service's net cost of operations was \$5 billion for the year ended September 30, 2005.

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

EXPENSES

Forest Service program costs for the year ended September 30, 2005, are \$5.8 billion. This represents a 1 percent decrease from FY 2004. One reason for the decrease is that the agency spent less in grant costs as a result of fewer agreements with the public.

The table below illustrates program costs by responsibility segment for the years ended September 30, 2005, and September 30, 2004.

BUDGETARY RESOURCES

The Forest Service had budget authority of approximately \$5.8 billion in FY 2005 and \$5.9 billion in FY 2004. The funding received in FY 2005 represents a slight decrease (2 percent) under that received in FY 2004.

Gross Expenses (in millions)	2005	2004	Difference	
			Dollars	Percentages
Program Costs				
National Forests and Grasslands	\$3,419	\$3,444	(\$25)	(1%)
Forest and Rangeland Research	329	342	(13)	(4%)
State and Private Forestry	389	418	(29)	(7%)
Wildland Fire Management	1,694	1,715	(21)	(1%)
Total Program Costs	\$5,831	\$5,919	(\$88)	(1%)

If you wish to learn more about performance accountability in the Forest Service, please visit our Web site at <http://www.fs.fed.us>.

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Hurricane Katrina and the 2005 Hurricane Season

The 2005 record hurricane season tied the previous record for hurricane activity set in 1933 with 21 named storms, several of them coming ashore in the Southern United States. The most destructive storm in many decades to hit the United States was Hurricane Katrina, resulting in a massive relief operation headed

by the Federal Emergency Management Agency (FEMA). Approximately 12,850 persons from the Forest Service supported hurricane relief efforts. Support personnel served on Area Command Teams, Incident Management Teams, Logistic Management Teams, and security crews.



Hurricane Katrina Highlights

■ *The Forest Service committed approximately 7,000 employees to FEMA mission assignments. Personnel from 48 States and Puerto Rico served on Incident Management Teams and crews.*

■ *Forest Service Incident Management Teams created and managed nearly 21 base camps, 12 receiving and distribution centers, 3 mobilization centers, and 3 evacuation centers.*

■ *At the New Orleans International Airport, a Forest Service Incident Management Team provided transportation support for more than 13,000 evacuees on over 60 flights. Forest Service trained helicopter personnel also off-loaded more than 500 evacuees per hour during the same timeframe.*

■ *Forest Service Incident Management Teams helped more than 600,000 people receive food and shelter, opened 15 distribution points and served over 10,000 people per day, and managed a staging area that was one of the largest air operations in the storm-affected area.*

