



United States  
Department of  
Agriculture

Forest Service

FS-924

March 2009



# USDA Forest Service Citizens Report

## FY 2008 Summary of Performance and Financial Results





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The Forest Service, U.S. Department of Agriculture (USDA), has chosen to participate in the Office of Management and Budget's (OMB's) pilot for fiscal year (FY) 2008 by producing an alternative to the consolidated Performance and Accountability Report (PAR) called an Agency Financial Report (AFR). This AFR was produced in accordance with the OMB Circular A-136, Financial Reporting Requirements. The AFR provides an overview of the agency's financial performance and results to help Congress, the President, and the public assess our stewardship over the financial resources entrusted to us.

The agency will include its FY 2008 annual performance report and FY 2010 performance plan with its Congressional Budget Justification (estimated availability: February 2009).

In addition, the Forest Service is producing this Citizens Report.

The Forest Service anticipates that this approach will improve its performance reporting in the following ways—

- Eliminating redundancy, especially in cases in which actual data can be used in lieu of estimates due to the timing of the report
- Making the information more meaningful and transparent to the public
- Providing a more succinct and easily understood analysis of the Forest Service's accountability over its resources

All of these documents are or will be available on the Forest Service Web site at <http://www.fs.fed.us/>.

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*Cover photo: Photo taken on the Green Mountain National Forest near Chittenden, VT. Winter scene is the Maiden Creek near Horse Prairie on the Beaverhead-Deerlodge National Forest. Photo of children playing is by Larry Korhnak, <http://www.interfacesouth.usda.gov>.*

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## Message From the Chief

I am pleased to present the Forest Service Citizens Report for Fiscal Year (FY) 2008 as a way of improving our transparency and accountability to the American public. The report focuses on our budget, financial, and program performance in achieving 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.*

This publication provides a progress report on how well we are doing in achieving the long-term strategic objectives that we publicized in the Forest Service Strategic Plan for FYs 2007 through 2012. Focusing on our performance against these key strategic objectives is one way of being accountable to the American public in meeting our mission for both current and future generations.

The report highlights some areas where we have truly excelled, as well as some areas where we need to focus on improvement. We continue to excel at improving our financial management. In FY 2008 we obtained an unqualified (or “clean”) audit opinion for the seventh straight year, while eliminating our only remaining material weakness. In terms of strategic performance, we met or exceeded our performance targets on 15 strategic performance measures and showed improvements on three others. Our annual accomplishment towards these strategic objectives are the result of the valuable work of our employees, as well as our partnerships with State and local governments, volunteers, non-profit organizations, and other cooperating agencies.

Our progress towards meeting our strategic objectives and other priority work this year was affected by our commitment to be responsive to unplanned fires which threatened life, property, and resources. Natural and human circumstances outside of our control (e.g. climate change and urban sprawl) are contributing to increased fire suppression costs. To accommodate this increase, the portion of our discretionary budget used to man-

age fuels and prepare for and fight fires has more than tripled since 2000 and is approaching one-half of the discretionary budget. Funding fire suppression costs from the discretionary budget impacts our mission and programs, with fire suppression becoming the dominant activity. Funding and emphasis for other programs—research, recreation, control of invasive species, forest restoration, and campground and facility maintenance—becomes smaller. To address this issue and its impact on critical programs, we are working with the Administration and others on fire suppression funding and are aggressively pursuing strategies to manage costs, increase decision support, and strengthen accountability.

There are also many other challenges ahead. We still have much work to do on the 11 measures in which we failed to meet our strategic performance targets. The impacts of climate change are already being seen through more intense wildfires and extensive insect outbreaks. We need to protect the Nation's water supplies through sound watershed management. We also need to emphasize greater connection of the public with nature, including getting more kids in the woods so they can gain a greater understanding of the importance of the ecosystems services our natural systems provide. We are up for these challenges as we continue to carry out our mission.

We hope you find this report useful as a way of understanding our mission and the work we do to support it.



Abigail R. Kimbell  
Chief



# UNITED STATES DEPARTMENT OF AGRICULTURE

## Forest Service Fiscal Year 2008

### Who We Are

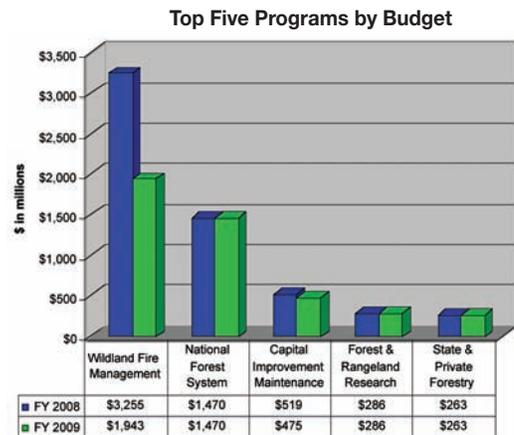
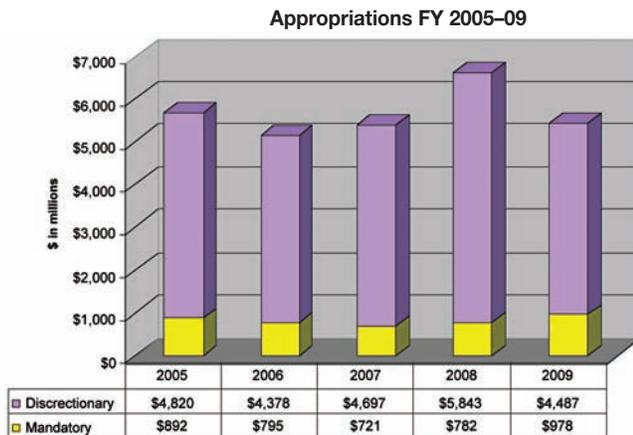
**Mission:** The Forest Service, U.S. Department of Agriculture (USDA), operates under the following mission: *Sustain the health, diversity, and productivity of the Nation's forests and grasslands to meet the needs of present and future generations.* The Forest Service is committed to land stewardship and public service for all the Nation's forests and grasslands, including the 193 million acres of national forests and grasslands are managed. ([Forest Service Strategic Plan FY 2007-2012](#))

**Organization:** The Forest Service operates under the guidance of the USDA Under Secretary for Natural Resources and Environment. To fulfill its mission and manage the 155 national forests and 20 grasslands, the Forest Service is organized into nine regions. Five research stations plus the International Institute of Tropical Forestry and Forest Products Laboratory, provide the latest science for sound stewardship decisions. The Forest Service also provides funding and technical assistance to fulfill its role on non-Federal forest lands. ([US Forest Service Offices & Programs](#))

**Personnel:** The workforce is comprised of approximately 30,000 employees working together to achieve the agency's 7 strategic goals. ([Jobs with the USDA Forest Service](#))

**Budgetary Resources:** The Forest Service received \$6.2 billion in budget authority in FY 2008.

### Budget Snapshot



### Performance Snapshot

**Accomplishments:** In FY 2008, the Forest Service made significant progress in many of strategic areas, including reducing the risk to communities and the environment from catastrophic wildland fire. In total, the agency reduced the risk of catastrophic fire on over 3 million acres, enhanced over 1.9 million acres of terrestrial habitat, produced over 2 million green tons of woody biomass, and protected almost 1.7 million acres of environmentally important forests and grasslands from conversion.

**Challenges:** The Forest Service is focused on restoring fire-adapted forests to more resilient conditions, providing natural resource materials to the American public, sustaining recreation opportunities, mitigating the loss of open space, combating the spread of invasive species, restoring watershed health, and using Job Corps and other community service programs to emphasize the importance of natural resource management to future generations. The agency pursues these activities in the face of rapid land development, forest fragmentation, and climate change.

### Financial Snapshot

Clean Opinion on Financial Statements	Yes
Timely Financial Reporting	Yes
Material Weaknesses	0
Improper Payment Rate	.02%
Total Assets	\$5.8
Total Liabilities	\$2.1
Net Cost of Operations	\$5.9

\$ in billions

Note: Additional information on Federal spending can be found at <http://www.usaspending.gov/index.php>. Additional information on the performance of Federal programs can be found at <http://www.whitehouse.gov/omb/expectmore/> and at <http://www.fs.fed.us/plan/>.

## Summary of Performance Ratings for FY 2008

**FY 2008 Performance Results  
per Strategic Goal**

**Budget per Strategic Goal  
(\$ in millions)**

■ Met/Exceeded    ■ Not met but improved over prior years  
■ Not met target    ■ Data not yet available

**Strategic Goal: Restore, Sustain, and Enhance the Nation's Forests and Grasslands**

Forests and grasslands with the capacity to maintain their health, productivity, diversity, and resistance to unnaturally severe disturbance.



2008 Actual = \$4,896

Performance Measure*	2006 Results	2007 Results	2008 Target	2008 Results	2008 Results	2009 Target
Number of acres treated to restore fire-adapted ecosystems moved toward desired condition	991,000	970,641	1,180,000	699,062	Not Met	1,107,100

**Strategic Goal: Provide and Sustain Benefits to the American People**

Forests and grasslands with sufficient long-term multiple socioeconomic benefits to meet the needs of society.



2008 Actual = \$401

Performance Measure*	2006 Results	2007 Results	2008 Target	2008 Results	2008 Results	2009 Target
Amount of wood fiber provided each year to help meet the Nation's demand for forest products in an environmentally sustainable manner (Hundred Cubic Feet)	5,400,000	4,806,000	5,598,400	4,753,979	Not met	6,000,000

**Strategic Goal: Conserve Open Space**

Maintain the environmental, social, and economic benefits of forests and grasslands by reducing and mitigating their conversion to other uses.



2008 Actual = \$162

Performance Measure*	2006 Results	2007 Results	2008 Target	2008 Results	2008 Results	2009 Target
Acres of environmentally important forests and grasslands protected from conversion (acres added annually)	1,360,000 (0)	1,448,091 (88,091)	1,564,091 (116,000)	1,643,078 (194,987)	Exceeded	1,656,678 (107,000)

**Strategic Goal: Sustain and Enhance Outdoor Recreation Opportunities**

A variety of high-quality outdoor recreational opportunities on the Nation's forests and grasslands are available to the public.



2008 Actual = \$602

Performance Measure*	2006 Results	2007 Results	2008 Target	2008 Results	2008 Results	2009 Target
Percent of customers who are satisfied with recreational facilities, services, and settings	80%	90%	90%	89%	Not met	90%

**Strategic Goal: Maintain Basic Management Capabilities of the Forest Service**

Administrative facilities, information systems, and land ownership management with the capacity to support a wide range of natural resource challenges.



2008 Actual = \$429

Performance Measure*	2006 Results	2007 Results	2008 Target	2008 Results	2008 Results	2009 Target
Percentage of administrative facilities that are being maintained to standard	64%	66%	66%	63%	Not met	66%

**Strategic Goal: Engage Urban America With Forest Service Programs**

Broader access by Americans to the long-term environmental, social, economic, and other types of benefits provided by the Forest Service.



2008 Actual = \$33

Performance Measure*	2006 Results	2007 Results	2008 Target	2008 Results	2008 Results	2009 Target
Number of communities with urban and community forestry programs resulting from Forest Service assistance	6,564	6,326	5,890	7,139	Exceeded	5,890

**Strategic Goal: Provide Science-Based Applications and Tools for Sustainable Natural Resources Management**

Management decisions are informed by the best available science-based knowledge and tools.



2008 Actual = \$102

Performance Measure*	2006 Results	2007 Results	2008 Target	2008 Results	2008 Results	2009 Target
Customer satisfaction with research & development products and services	72	72	72	72	Met	73

\* The measure selected is one of several that are responsible for tracking progress in each strategic goal.

# Budget, Performance, and Financial Snapshot

## Mission Statement

The Forest Service, U.S. Department of Agriculture (USDA), operates under the following mission:

*Sustain the health, diversity, and productivity of the Nation's forests and grasslands to meet the needs of present and future generations.*

The Forest Service has the direct stewardship responsibility for 193 million acres of national forests and grasslands and shares responsibility, working through State forestry agencies, for the management, protection, and wise use of about 500 million acres of non-Federal rural and urban forests.

## Organizational Structure

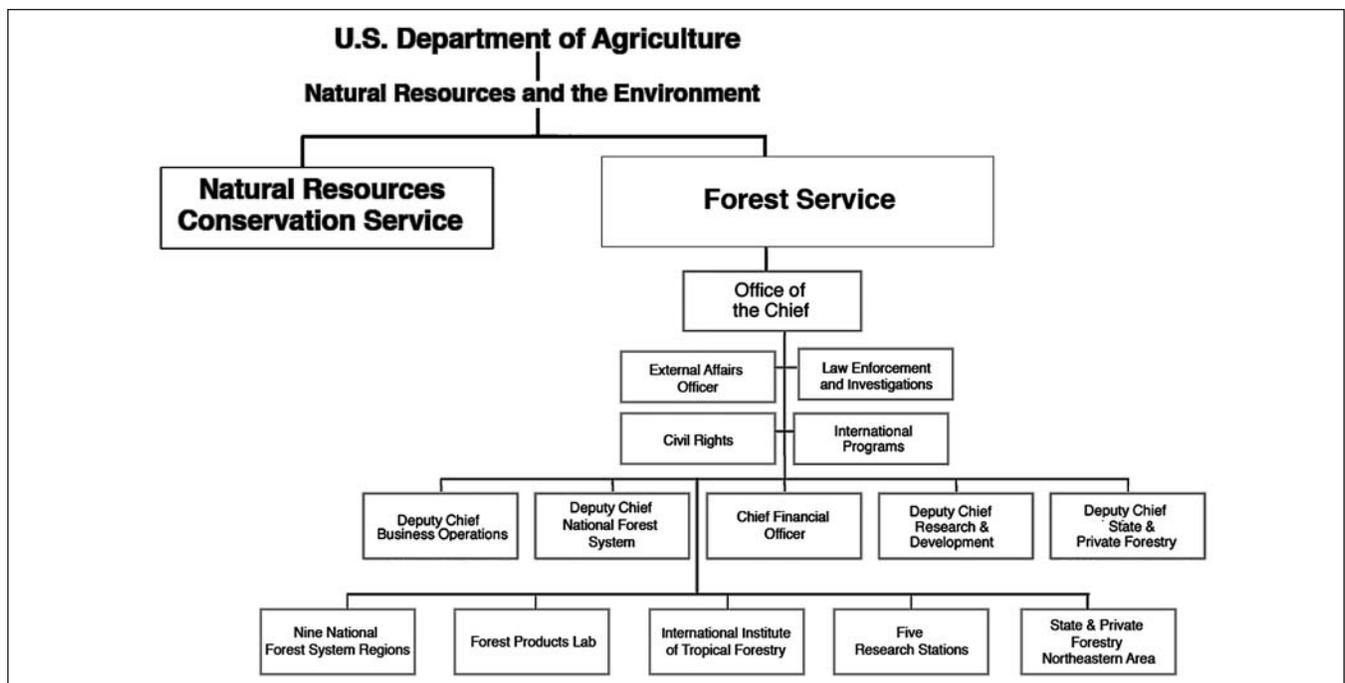
The Forest Service operates under the guidance of the USDA Under Secretary for Natural Resources and Environment (NRE). To fulfill its mission and manage the national forests, the Forest Service is organized into nine regions. Five research stations, plus the International Institute of Tropical Forestry and Forest Products Laboratory, provide the latest science for sound stewardship decisions. The Forest Service also provides funding and technical assistance to fulfill its role on non-Federal forest lands. In addition, the Forest Service provides international assistance in land stewardship and has its own

Law Enforcement and Investigations (LEI) unit responsible for enforcement of Federal laws and regulations governing national forest lands and resources. Leadership of these mission areas is listed in the rest of this section. Reporting to the Chief are the deputy areas—Business Operations, Research and Development (R&D), National Forest System (NFS), and State and Private Forestry (S&PF)—and the Chief Financial Officer (CFO), the five research stations, the International Institute of Tropical Forestry, the Forest Products Lab, the State and Private Forestry Northeastern Area, nine regions, LEI, International Programs, and External Affairs.

The Forest Service's mission includes the following five major responsibility segments:

**National Forests and Grasslands.** This responsibility segment includes protecting and managing of an estimated 193 million acres of NFS land, which includes 35.5 million acres of designated wilderness areas.

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



**State and Private Forestry.** This responsibility segment provides technical and financial assistance through grants and cooperative agreements to State and local governments, tribal governments, nongovernmental organizations, forest and other green industries, and private landowners to help protect and manage non-Federal forests and associated rangeland and watershed areas.

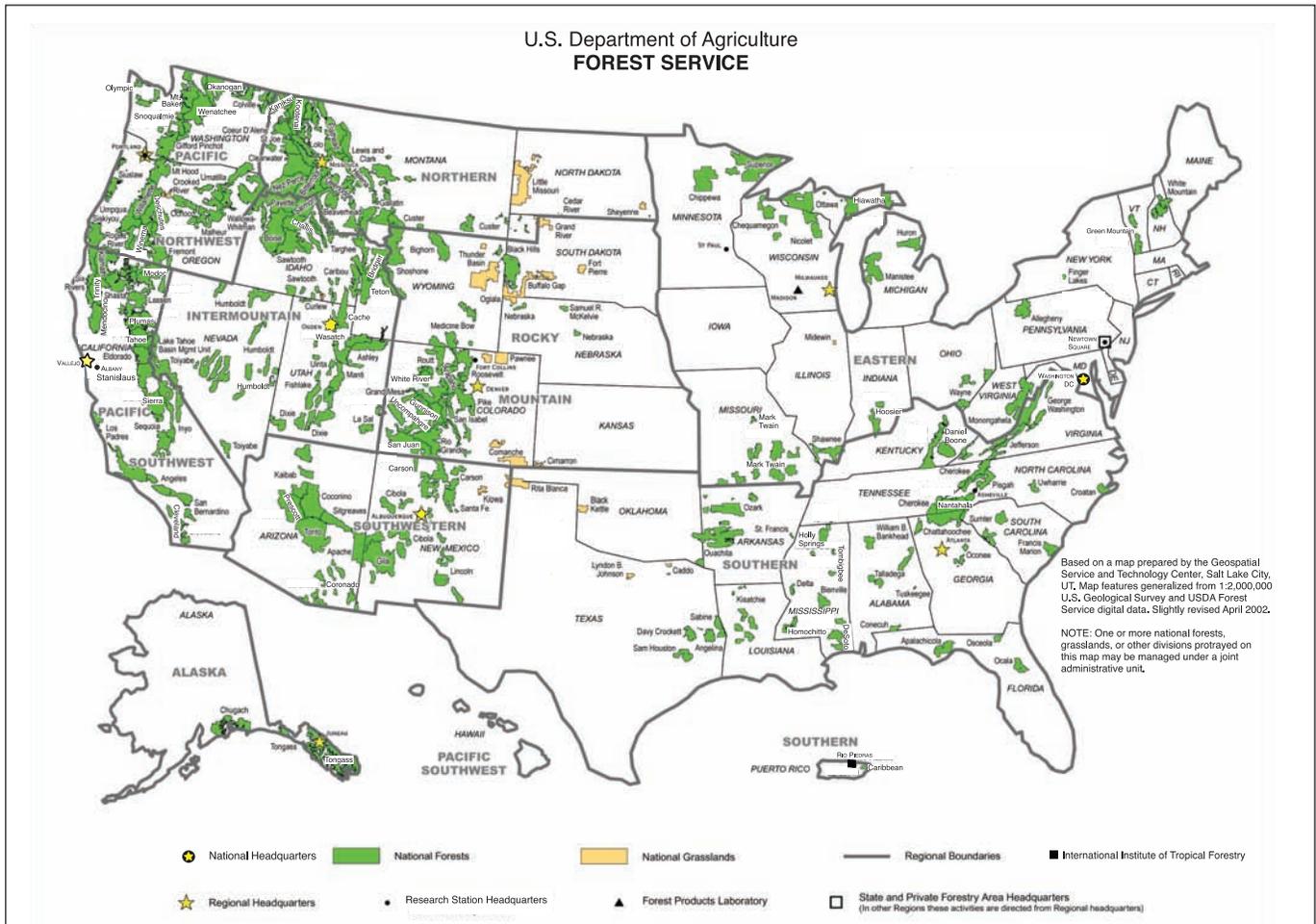
**International Programs.** This responsibility segment promotes sustainable land management overseas and brings important technologies and innovations back to the United States. The program focuses on conserving key natural resource in cooperation with countries across the world.

**Wildland Fire Management.** This responsibility segment protects life, property, and natural resources on an estimated 193 million acres of NFS lands and the estimated 20 million acres of other Federal and non-Federal lands under fire protection agreements.

## Strategic Plan Overview

The Forest Service Strategic Plan for FY 2007–2012 identifies agency priorities over the planning period consistent with the agency’s mission. These priorities are addressed in seven strategic goals:

- Goal 1: Restore, Sustain, and Enhance the Nation’s Forests and Grasslands
- Goal 2: Provide and Sustain Benefits to the American People
- Goal 3: Conserve Open Space
- Goal 4: Sustain and Enhance Outdoor Recreation Opportunities
- Goal 5: Maintain Basic Management Capabilities of the Forest Service
- Goal 6: Engage Urban America With Forest Service Programs
- Goal 7: Provide Science-Based Applications and Tools for Sustainable Natural Resources Management



Each goal is composed of strategic objectives and indicators of agency performance, with baselines and FY 2012 targets. The Strategic Plan also includes means and strategies by which the agency accomplishes its strategic goals and objectives.

requires focuses programs to increase effectiveness and implement the Strategic Plan. Program assessment ratings for FY 2008 are listed below.

Additional information can be found at ExpectMore.gov Web site.

### The Relationship of PART to the Forest Service Strategic Plan

The Program Assessment Rating Tool (PART) is used by the Office of Management and Budget (OMB) and the Forest Service to evaluate program efficiency and effectiveness. The agency's Strategic Plan and PART are strongly related through use of common long-term performance measures. The cyclic evaluation process and annual improvements that PART

### Budgetary Resources

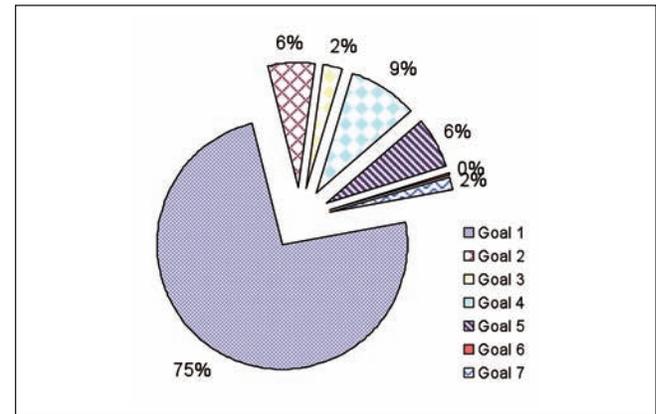
The Forest Service received \$6.2 billion in budget authority in FY 2008, representing an increase of 8 percent from FY 2007. The increase from FY 2007 to FY 2008 is related to additional Wildland Fire Management appropriations.

Additional information can be found at: <http://www.fs.fed.us/aboutus/budget>.

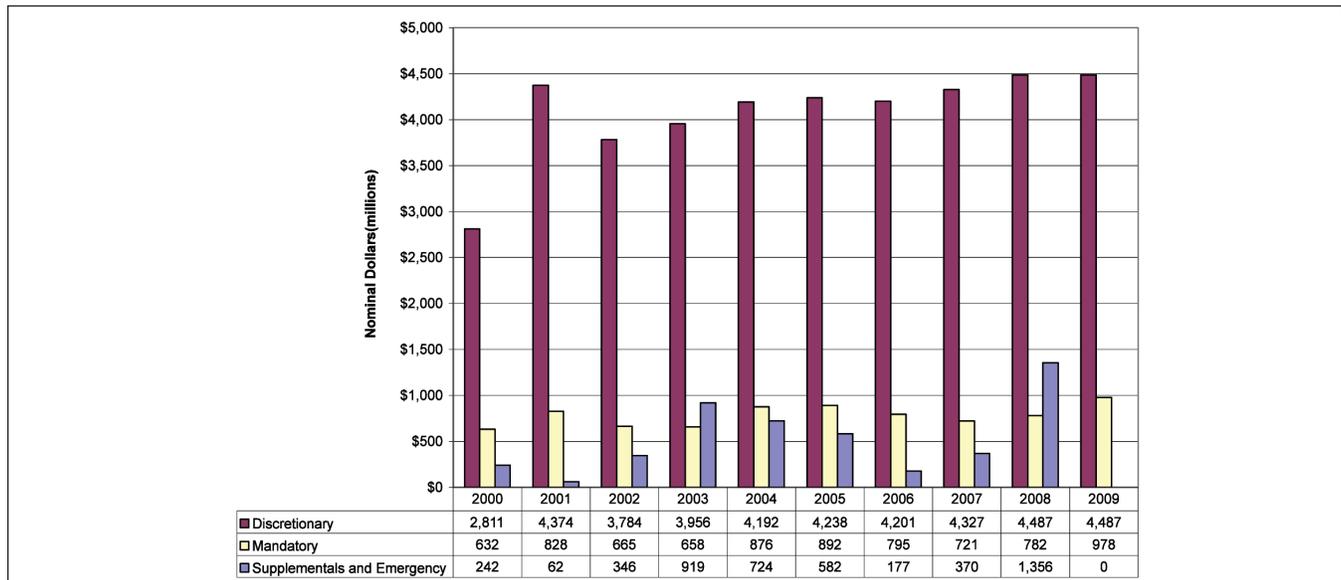
PART Assessments for Forest Service Programs

Program	Rating
Wildland Fire	Adequate
Energy	Adequate
Forest Legacy	Moderately Effective
Invasive Species	Adequate
Land Acquisition	Adequate
Recreation	Moderately Effective
Watershed	Results Not Demonstrated
Capital Improvement and Maintenance	Results Not Demonstrated

FY 2008 Budget by Strategic Goal



Forest Service Budget, 2000–08 Enacted, 2009 President's Budget



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## Challenges and Opportunities

### **Wildland Fire** (<http://www.fs.fed.us/fire/>)

The Forest Service is challenged with restoring fire-adapted forests to more resilient conditions, providing natural resource materials to the American public, sustaining recreational opportunities, combating the spread of invasive species, restoring watershed health, and mitigating the loss of open space.

Historically, wildland fire has been a natural component of ecosystem processes. Suppression efforts in recent decades allowed trees and underbrush to increase in density, creating hazardous conditions when combined with insect and disease mortality, prolonged drought and lower than average precipitation. This combination of factors increased the risk of catastrophic wildland fire, threatening both communities and the environment. Although wildland fire is a natural element of ecosystem processes the frequency and intensity of these catastrophic wildland fires is not.

Meanwhile, the annual increase in the number of private residences adjacent to national forest land in the wildland-urban interface (WUI) has increased the agency's responsibilities in land and resource management, fire suppression, and law enforcement.

The high priority on wildland fire suppression has resulted in a dramatic effect on the budget over the past several years. The increase in size and intensity of wildland fires are negatively affecting the Forest Service budget, affecting the Forest Service's program delivery. The agency now devotes nearly 48 percent (\$1.9 billion) of its budget to wildland fire, compared with 13 percent in 1991 and 25 percent in 2000. This increase also recognizes significant increases in the hazardous fuel program aimed at mitigating the effects of wildland fires. Using current trends, the FY 2012 10-year average is projected to be close to \$1.2 billion. Considering this increasing cost, it will be critical to prioritize and make adjustments to programs across all resource areas and to emphasize the importance of managing wildland fire costs to minimize the effect on other programs.

### **Climate Change** (<http://www.fs.fed.us/climatechange/>)

Trees, forests, and forest ecosystems play a major role for our citizens and the world. The impacts of climate change are already being seen through more intense wildfires and extensive insect outbreaks across both public and private forests. These impacts threaten the capacity of forests and grasslands to provide environmental services, such as clean air and water, wildlife habitat, biodiversity, and recreation opportunities. The Forest Service is making steady progress towards addressing climate change by focusing on the unique needs and contributions of the Nation's forests. Seven goals are outlined that will help the Forest Service to sustain the Nation's forest and grasslands for present and future generations in this era of climate change. To achieve these goals and meet the challenges of managing in a changing climate, the Forest Service is working with a broad range of agencies, scientists, stakeholders, tribes, international interests, and the public at-large to make good use of diverse expertise and ideas. For more details, please refer to "Forest Service Strategic Framework for Responding to Climate Change" at <http://www.fs.fed.us/climatechange/documents/strategic-framework-climate-change-1-0.pdf>.

### **Water** (<http://www.fs.fed.us/water/>)

Forests, rangelands, and grasslands protect and supply the Nation's waters through holding, filtering, and slowly releasing water into streams, rivers, and other bodies of water. Eighteen percent of the Nation's water supply originates on national forests and grasslands, even though the NFS covers just 8 percent of our land area; and 29 percent originates on non-Federal forests, which covers about 21 percent of the land area. The work the Forest Service is doing to manage forest vegetation is contributing to restoring the functions and processes on a watershed scale.

### **Kids in the Woods** (<http://www.fs.fed.us/emphasis/kids>)

The challenges associated with climate change and water will not be resolved in a few years—it will take generations. Therefore, it is imperative that children understand why forests are so valuable. This knowledge will help foster citizens who support conservation. The More Kids in the Woods program helps draw attention to the need to have the next generation understand how valuable wild landscapes are to all of us.

## Summary of Annual Performance for Seven Strategic Goals

The annual performance for the agency is summarized here based on the goals and performance measures of the Forest Service Strategic Plan for fiscal years 2007–2012. More performance information is available in the FY 2010 Budget Justification.

### Strategic Goal 1: Restore, Sustain, and Enhance the Nation’s Forests and Grasslands

The national forests and grasslands were established to protect the land, secure favorable waterflows, and provide a sustainable supply of goods and services. Even before the creation of the Forest Service, the USDA was responsible for providing land management assistance to the States and private forest landowners. Over the past century, the Forest Service has achieved a balance between providing land stewardship services and meeting public demands for various uses of the NFS. Despite past successes, challenges persist. In recent years, people have become more aware of forest disturbance. The increasing extent and frequency of uncharacteristically severe wildland fires and insect and disease outbreaks have been of particular concern to the public, the Administration, Congress, and land management agencies.

#### Goal 1—Summary of Performance: Wildland Fire

Although the Forest Service effectively reduced fuel loads for all acres treated (3,038,277 acres), the acres moved toward or maintained in desired conditions were below what was planned. Various factors influence the ability to meet these goals, including weather, the price of fuel (diesel and aviation gas), and the number of treatments required. The agency continues to target more strategic acres for treatment, many of which are in the more costly WUI. The Forest Service achieved the annual results planned for the percentage of acres treated in WUI that have been targeted in Community Wildfire Protection plans.

To help analyze suppression costs, the agency uses an efficiency measure that compares actual to expected suppression costs via a stratified cost index (SCI). SCI is developed geographically based on the preceding 10 years of large fires and indicates those fires with costs more than one standard deviation higher or lower than expected. In real time, the SCI provides a comparison of a fire’s expenditures to historical fires with similar characteristics and increasing cost awareness. The Forest Service did not achieve the results planned for staying within the SCI. The results, however, were heavily influenced by an increase in the number of fires exceeding the index in the Eastern United States. While these fires did affect the statistical SCI results, they did not significantly influence agency expenditures, accounting for only 1 percent of agency suppression expenditures. Increased costs, such as fuel, contributed to fires exceeding the SCI. The agency maintains a strong emphasis on strategies to manage suppression costs and reduce the percentage of fires exceeding the index.

These objectives showcase a major effort to address the wildfire situation in an efficient, integrated, and comprehensive manner. Our approach is methodical, and achievements will fluctuate from year to year, depending on weather, the severity of the fire season, and agency resources available. Emphasis on these objectives will be maintained in FY 2009 and FY 2010. Targets will be achieved by working in collaboration with Federal and non-Federal partners and by working across agency programs. In addition to Hazardous Fuels Management, several key Forest Service programs provide collateral benefits that contribute to this objective, including programs that improve forest and range health and productivity, wildlife and fish habitats, and watershed quality. The agency will focus on sustainable landscape management to achieve this goal, strengthening integration across programs to achieve integrated, prioritized ecological restoration and maintenance work. We will employ strategies

Goal 1—Resources Invested (dollars in millions).

Appropriation	FY 2007	FY 2008	FY 2009*
Forest and Rangeland Research	139.9	142.3	141.5
State and Private Forestry	139.9	137.2	137.2
National Forest System	577.9	587.8	616.3
Wildland Fire Management	2,193.6	3,255.5	1,943.5
Capital Improvement and Maintenance	75.8	161.0	115.1
Other Appropriations	5.0	5.0	5.0
Permanent Funds	455.9	497.0	606.6
Trust Funds	167.5	110.6	118.6
Total	3,385.5	4,896.4	3,683.8

\* FY 2009 based on current services budget under the continuing resolution.

## Goal 1—Strategic Objectives and Performance

● Met/Exceeded    
 ● Not met but improved over prior years    
 ● Not met target    
 ○ Not Available

*Reduce the risk to communities and natural resources from wildfire.*

Performance Measure	Baseline	2007 Results	2008 Target	2008 Results	2008 Rating	2009 Target	2012 Goal
Number and percentage of acres treated to restore fire-adapted ecosystems							
(1) Moved toward desired conditions							
• Number (acres)	991,000 <sup>1</sup>	970,641 <sup>2</sup>	1,180,000	699,062	●	1,107,100	1,600,000
• Percentage	39	32	40	23	●	40	40
(2) Maintained in desired conditions							
• Number (acres)	830,000	1,022,144 <sup>2</sup>	1,121,000	986,507	●	1,054,000	2,000,000
• Percentage	33	33	38	32	●	40	50
Number of acres brought into stewardship contracts	57,500	77,676	91,000	65,890	●	107,000	150,000

<sup>1</sup> This measure is calculated using change in condition class. In FY 2006, this information was not available for all vegetation treatments, so a ratio was applied to attain these baseline numbers. In 2007, these data became available for all treatments.

<sup>2</sup> Improvements in data and calculation methodology required that the FY 2007 numbers be updated.

*Suppress wildfires efficiently and effectively.*

Performance Measure	Baseline	2007 Results	2008 Target	2008 Results	2008 Rating	2009 Target	2012 Goal
Percentage of fires not contained in initial attack that exceeds a stratified cost index*	24	22.0	20.0	24.3	●	20.0	14.0

\* Objective is to reduce the stratified cost index; lower index results indicate better performance.

*Build community capacity to suppress and reduce losses from wildfire.*

Performance Measure	Baseline	2007 Results	2008 Target	2008 Results	2008 Rating	2009 Target	2012 Goal
Percentage of acres treated in the WUI identified in community wildfire protection plans or equivalent plans	17.0	24.7	28.0	36.0	●	33.5	50.0

and opportunities that simultaneously address climate change, shifts in land use, and energy security, as well as provide goods and services to the public.

### Goal 1—Summary of Performance: Invasive Species

Invasive species have been characterized as a “catastrophic wildfire in slow motion.” Thousands of invasive plants, insects, fish, mollusks, crustaceans, pathogens, mammals, birds, reptiles, and amphibians have infested hundreds of millions of acres of land and water across the Nation. They are causing massive disruptions in ecosystem function, reducing biodiversity, and degrading ecosystem health in our Nation’s forests, prairies, mountains, wetlands, rivers, and oceans. Invasive organisms affect the health of not only the Nation’s forests and rangelands but also of wildlife, livestock, fish, and humans. A species is considered invasive if it meets these two criteria: (1) It is nonnative to the ecosystem under consideration, and (2) Its introduction causes or is likely to cause economic or environmental harm or harm to human health.

At this time, Forest Service invasive species program actions are exceeding projected performance expectations, resulting in greater effectiveness in preventing the spread of invasive species across the NFS and other Federal and cooperative lands. Increased emphasis and efficiencies of invasive species treatments on Federal and cooperative lands has enabled S&PF to achieve 19 percent more acres than the 890,000-acre target, successfully treating nearly 1.1 million acres.

Integrating invasive species management actions across a variety of program areas in the NFS also resulted in increased accomplishments and effectiveness in FY 2008. NFS invasive species treatments focused on selected species and were conducted in high-priority areas to attain the greatest long-term success against invasions. These treatment activities had the highest average outcome rate recorded in the history of the program. By addressing all types of invasive species and their record keeping requirements, the national forests was able to accomplish over 258,000 acres of terrestrial and aquatic invasive species treatments in FY 2008.

*Reduce adverse impacts from invasive and native species, pests, and diseases.*

Performance Measure	Baseline	2007 Results	2008 Target	2008 Results	2008 Rating	2009 Target	2012 Goal
Percentage of priority acres restored and/or protected from invasive species on Federal and cooperative lands							
• NFS		75.8	50	80.0	●	50	
• S&PF	90	19	20	28.4	●	20	90

*Restore and maintain healthy watersheds and diverse habitats.*

Performance Measure	Baseline	2007 Results	2008 Target	2008 Results	2008 Rating	2009 Target	2012 Goal
Percentage of watershed in class 1 condition	30	30	30	30	●	30	32
Number of acres and miles of terrestrial and aquatic habitat restored consistent with forest plan direction							
• Terrestrial acres restored	642,000	393,769	1,250,000	1,962,962	●	900,000	903,3558
• Stream miles restored	4,600	1,562	1,900	2,346	●	1,500	6,474
• Lake acres restored	18,000	14,464	12,500	18,290	●	9,000	25,328
Percentage of acres needing reforestation or timber stand improvement that were treated	13	14	15	15.4	●	16	20

### Goal 1—Summary of Performance—Healthy Watersheds and Diverse Habitats

The Forest Service exceeded the annual results planned for this objective. The fisheries, wildlife, and watershed accomplishments were achieved, in part, through the formation of partnerships with other agencies and conservation groups. Enhanced relationships and leveraged funds resulted in getting more work done on the ground. Integration with other resource areas such as vegetation management and engineering also played an important role in achieving these targets and is expected to continue. Partner contributions and, as a result, what can be accomplished on the ground are expected to continue but may actually decrease over the next couple of years due to the financial challenges that they anticipate. Integration with other resource areas is expected to increase accomplishments as the agency becomes more adept at developing projects that benefit multiple resources. Shortfalls in partner contributions are expected to be offset by increases in integrated accomplishments, as well as by burned

areas restoration efforts. While a large quantity of habitat work will be accomplished through integrated efforts, these accomplishments sometimes do not focus on the highest priorities for fish, wildlife, and watershed resources. Therefore, prioritizing core work with appropriated funds will be important to achieve maximum benefits. In addition, the fish and wildlife program will increase emphasis on aquatic resources.

### Strategic Goal 2: Provide and Sustain Benefits to the American People

This strategic goal and its associated objectives focus on the portion of the agency's mission related to sustaining the productivity of the Nation's forests and grasslands to meet the needs of present and future generations. Our forests and grasslands contain abundant natural resources and opportunities that help meet the demands and needs of the American people. Sustainable management of these resources ensures that the avail-

*Goal 2—Resources Invested (dollars in millions).*

Appropriation	FY 2007	FY 2008	FY 2009*
Forest and Rangeland Research	33.6	33.8	36.5
State and Private Forest	0	4.2	4.2
National Forest System	244.9	241.5	219.6
Capital Improvement and Maintenance	72.5	73.0	71.0
Other Appropriations: Range Betterment Fund	2.9	2.6	2.6
Permanent Funds	26.3	22.2	25.8
Trust Funds	31.1	23.9	26.3
Total	411.3	401.2	386.0

\* FY 2009 based on current services budget under the continuing resolution.

ability of goods and services continues into the future and that land productivity is maintained. The forest reserves that formed the base of the NFS were created in 1897 for the purposes of improving and protecting land, securing favorable waterflows, and providing a continuous supply of timber. The Multiple-Use Sustained Yield Act of 1960 directed that the national forests be administered for outdoor recreation, rangeland, timber, watershed, and wildlife and fish. National forest management provides a variety of use opportunities, while maintaining wildlife diversity, supplies of wood products, energy sources

and transmission infrastructure, wildlife and domestic livestock forage, water supplies, and other goods and services. Primarily through S&PF programs, the Forest Service provides technical and financial assistance for natural resource management and the sustainable use of resources on non-Federal lands in the United States. The Forest Service also provides international technical assistance. Our research provides a solid scientific foundation for the sustainable management of forests and grasslands and improvements in the use and marketing of forest products and services.

## Goal 2—Strategic Objectives and Performance

● Met/Exceeded    ● Not met but improved over prior years    ● Not met target    ○ Not Available

*Provide a reliable supply of forest products over time that (1) is consistent with achieving desired conditions on NFS lands and (2) helps maintain or create processing capacity and infrastructure in local communities.*

Performance Measure	Baseline	2007 Results	2008 Target	2008 Results	2008 Rating	2009 Target	2012 Goal
Amount of wood fiber provided each year to help meet the Nation's demand for forest products in an environmentally sustainable manner (Hundred Cubic Feet (CCF))	5,400,000	4,806,000	5,598,400	4,753,979	●	6,000,000	8,000,000
Number of green tons and/or volume of woody biomass from hazardous fuel reduction and restoration treatments on Federal land that are made available through permits, contracts, grants, agreements, or the equivalent (CCF)	N/A*	2,768,000	2,700,000	2,331,989	●	2,700,000	2,700,000

\* The initial collection of data for this performance measure commenced at the beginning of FY 2007.

*Provide a reliable supply of rangeland products over time that (1) is consistent with achieving desired conditions on NFS lands and (2) helps support ranching in local communities.*

Performance Measure	Baseline	2007 Results	2008 Target	2008 Results	2008 Rating	2009 Target	2012 Goal
Number of acres of national forests and grasslands under grazing permit that area sustainably managed for all rangeland species	81,560,000	90,197,781	81,560,000	79,472,798	●	81,560,000	81,560,000

*Help meet energy resource needs.*

Performance Measure	Baseline	2007 Results	2008 Target	2008 Results	2008 Rating	2009 Target	2012 Goal
Percentage of land Special Use Permit applications for energy-related facilities completed within prescribed timeframes	50	45	45	100	●	45	50
Percentage of energy-mineral applications processed within prescribed timeframes	45.0	11.0	10.0	8.2	●	50.0	55.0

*Promote market-based conservation and stewardship of ecosystem services.*

Performance Measure	Baseline	2007 Results	2008 Target	2008 Results	2008 Rating	2009 Target	2012 Goal
Number of States that have agreements with the Forest Service to help private forest landowners market ecosystem services (Number of States added annually)	1	6 (5)	N/A*	12 (6)	○	N/A*	14

\* Targets not available for FYs 2008 and 2009.

## Goal 2—Summary of Performance

The Forest Service fell short of our planned level for the amount of wood fiber and green tons of woody biomass provided. The economic downturn led to less forest products sold and harvested than planned. This, coupled with the impacts of appeals and litigation and the agency’s response to redirect resources to assist with fire suppression efforts, also contributed to the shortfall in forest products sold and woody biomass produced.

Increased recognition and acceptance of forest products and bio-energy will be critical to meet forest and habitat health objectives. Demonstrating success in meeting these objectives will be essential to gaining support for these programs. Educating the public and lawmakers on the benefits of using these tools to meet forest health, long-term carbon sequestration, and other climate change mitigation objectives will be essential steps in building this support. Accomplishments for rangeland products were very near targeted levels. Emphasis in energy-minerals programs will focus on oversight for more consistent accomplishment reporting.

For more information, visit Forest Management Reports at: <http://www.fs.fed.us/forestmanagement/reports/index.shtml>.

## Strategic Goal 3: Conserve Open Space

Open space provides many environmental, social, and economic benefits to rural and urban communities. Undeveloped forests and grasslands—including working farms, ranches, and timber lands—help protect water quality, conserve native wildlife, and provide renewable timber and nontimber products,

places to recreate, and scenic beauty. These “green spaces” elevate home values and generate jobs and economic vitality. Current population growth trends show a steady loss of these vital open spaces to developed uses.

The Forest Service, in partnership with State forestry agencies, annually helps communities develop sustainable urban and community forestry programs. Communities use urban forest management plans to help mitigate the impacts of existing and new developments on open space. Urban forest management plans, derived from urban tree and forest resource inventories, include protection and management recommendations that become key components of community development and open-space planning.

## Goal 3—Summary of Performance

The Forest Service exceeded the annual results planned for these objectives. The number of acres of environmentally important forests and grasslands protected from conversion was higher than anticipated because the Forest Legacy Program completed a significant number of cases, with some larger than typical (i.e., 51,000-acre and 36,000-acre tracts). The acres of nonindustrial private forest land that are being sustainably managed under forest stewardship management plans were higher than anticipated because this measure is now based on the cumulative total of acres in priority landscape areas. The baseline and target for this measure were based on an annual inventory of acres that are covered by forest stewardship plans developed for landowners during a single year. Beginning in FY 2008, this measure is based on an inventory of acres that are covered by all current (active) management plans as confirmed through a

Goal 3—Resources Invested (dollars in millions).

Appropriation	FY 2007	FY 2008	FY 2009*
Forest and Rangeland Research	1.9	1.9	2.1
State and Private Forestry	98.5	81.8	81.8
National Forest System	31.5	32.7	31.3
Land Acquisition	46.7	43.1	43.1
Permanent Funds	0.4	0	0
Trust Funds	2.0	2.0	2.7
Total	180.1	161.5	161.0

\* FY 2009 based on current services budget under the continuing resolution.

## Goal 3—Strategic Objectives and Performance

● Met/Exceeded    ● Not met but improved over prior years    ● Not met target    ○ Not Available

Protect forest and grasslands from conversion to other uses.

Performance Measure	Baseline	2007 Results	2008 Target	2008 Results	2008 Rating	2009 Target	2012 Goal
Number of acres of environmentally important forests and grasslands protected from conversion (number of acres added annually)	1,360,000 (0)	1,448,091 (88,091)	1,564,091 (116,000)	1,643,078 (194,987)	●	1,656,678 (13,600)	2,000,000

Help private landowners and communities maintain and manage their land as sustainable forests and grasslands.

Performance Measure	Baseline	2007 Results	2008 Target	2008 Results	2008 Rating	2009 Target	2012 Goal
Number of acres of nonindustrial private forest land being managed sustainably under forest stewardship management plans (cumulative acres)	1,760,000 (15,133,689)	1,715,206 (16,848,895)	2,000,000 (18,848,895)	1,888,904 (18,737,799)		2,000,000 (20,737,799)	2,000,000 (25,000,000)

newly established field monitoring program. This new measure is more meaningful because it represents the actual confirmed footprint on the landscape. State partners have helped identify high-priority landscape areas. The Forest Service is on track and is anticipating meeting the 2012 target.

### Strategic Goal 4: Sustain and Enhance Outdoor Recreation Opportunities

The Forest Service is challenged with sustaining adequate high-quality outdoor recreational experiences to meet the Nation's needs while maintaining the ecological integrity of national forests and grasslands. The Nation's population is projected to increase by nearly 50 percent by the middle of this

century.<sup>1</sup> The combination of increasing populations and the continued decline of public access to privately owned forest land creates extensive pressure on public lands to provide more recreational opportunities.

If public lands are to provide additional recreational benefits without unacceptable resource impacts, we must emphasize effective management solutions that have a solid scientific foundation. The condition of the land, recreation facilities, and transportation infrastructure, including off-highway-vehicle access, must be considered if we expect to preserve high-quality recreation experiences. We must maintain specially designated protected areas. We must continue to work with our partner volunteers, nongovernmental organizations, other agencies, and the private sector if we are to achieve acceptable results.

Goal 4—Resources Invested (dollars in millions).

Appropriation	FY 2007	FY 2008	FY 2009*
Forest and Rangeland Research	6.9	7.1	7.8
National Forest System	259.1	260.3	255.1
Capital Improvement and Maintenance	218.6	228.8	233.2
Permanent Funds	80.0	85.6	143.0
Trust Funds	17.6	20.2	25.7
Total	582.3	602.0	663.8

\* FY 2009 based on current services budget under the continuing resolution.

### Goal 4—Strategic Objectives and Performance

 Met/Exceeded     Not met but improved over prior years     Not met target     Not Available

Improve the quality and availability of outdoor recreation experiences.

Performance Measure	Baseline	2007 Results	2008 Target	2008 Results	2008 Rating	2009 Target	2012 Goal
Percentage of recreation sites maintained to standard	65	67	60	65		65	81
Percentage of total recreation capacity at developed recreation sites that meets accessibility standards	10	N/A*	25	21.5		20	30
Percentage of trails that meets national quality standards	60	39	40	N/A*		40	60
Percentage of customers who are satisfied with recreational facilities, services, and settings	80	90	90	89		90	85
Percentage of road system intended for passenger-car use that is suitable for passenger-car use	29	90	89	89.2		88	75

\* Data not available at this time.

<sup>1</sup> Reference: <http://www.census.gov/population/www/projections/usinterimproj/natprojtab01a.pdf>.

*Secure legal entry to national forest lands and waters.*

Performance Measure	Baseline	2007 Results	2008 Target	2008 Results	2008 Rating	2009 Target	2012 Goal
Percentage of high-priority access rights-of-way acquired	90	90	90	78		90	95

*Improve the management of off-highway vehicle use.*

Performance Measure	Baseline	2007 Results	2008 Target	2008 Results	2008 Rating	2009 Target	2012 Goal
Percentage of NFS lands covered by new motor vehicle use maps reflecting a designated-use system of roads, trails, and areas	0	12	40	27		88	100

#### Goal 4—Summary of Performance

The agency exceeded its target in recreation facilities managed to standard in large part because of the contributions from volunteers and youth organizations that help the agency manage the recreation, heritage, facilities, and trails programs. The Intermountain and Alaska Regions, for instance, leveraged their effectiveness by recruiting volunteers to improve recreation facilities. Many of the regions reported that resources were directed towards routine maintenance projects and not for their more expensive deferred maintenance.

The agency underreported trails accomplishments, skewing the annual achievement for this measure. The agency will be working in FY 2009 to provide clarification and focus on more accurate reporting.

The current inventory of passenger-car roads presents the significant challenge of maintaining them to an appropriate standard. Identifying the appropriate sized road system and its appropriate level of maintenance will ensure the transportation system can be maintained at appropriate levels and will provide the needed access to and through the national forests.

Agency activities associated with response to wildfire, delays in map production, and extended public comment periods resulted in several regions not being able to meet the schedule for completing travel management plans.

#### Strategic Goal 5: Maintain Basic Management Capabilities of the Forest Service

Natural resources are affected by a wide range of forces, including natural events, overuse, and various management activities. The Forest Service maintains a workforce with the skills and capabilities to deal with the impacts of these events. Reliable information, quality facilities, and land protection are

necessary to effectively manage natural resources in a perpetual state of change.

#### Goal 5—Summary of Performance

The strategic plan performance measure is used to assess how well the agency is moving toward standardization of inventory and monitoring information. As standards for information are approved for new inventory and monitoring activities or revised for existing activities in the data dictionary, the overall field workload and cost will increase, making it unlikely the agency will accomplish 100 percent to standard by 2012. The Forest Service must revise or update their plans for high-priority inventory and monitoring to meet essential agency business needs and to reflect new or revised standards approved for implementation in by FY 2012. We will incorporate green standards wherever possible and practical.

In FY 2006, the Forest Service Facility Realignment and Enhancement Act (Title V, Appropriations Act, P.L. 109-54) was enacted. This legislation authorizes the sale of unneeded administrative sites and the use of receipts for acquisition, maintenance, reconstruction, and construction of administrative infrastructure, creating incentives to dispose of these facilities. To date, activities under this authority, including pilot projects authorized under P.L. 107-63, Section 329, as amended, generated approximately \$39 million in revenues and reduced facilities deferred maintenance by \$7.3 million. In FY 2008, the agency generated approximately \$10.5 million in revenues through the conveyance real property sale authorities, eliminating over 135,000 gross square feet of underutilized space and \$3.2 million of deferred maintenance backlog by disposing of 46 properties. An additional \$7 million in revenues were generated under other real property sale authorities, such as special State legislation, the Small Tracts Act, and the Townsite Act, eliminating approximately 29,000 gross square feet of underutilized space through the disposal of 104 land and facility properties.

*Goal 5—Resources Invested (dollars in millions).*

Appropriation	FY 2007	FY 2008	FY 2009*
International Forestry	6.9	7.4	7.4
National Forest System	339.3	347.3	347.3
Capital Improvement and Maintenance	69.5	56.0	56.5
Permanent Funds	15.8	18.6	26.6
Total	431.5	429.3	437.8

\* FY 2009 based on current services budget under the continuing resolution.

**Goal 5—Strategic Objectives and Performance**

● Met/Exceeded    
 ● Not met but improved over prior years    
 ● Not met target    
 ○ Not Available

*Improve accountability through effective strategic and land-management planning and efficient use of data and technology in resource management.*

Performance Measure	Baseline	2007 Results	2008 Target	2008 Results	2008 Rating	2009 Target	2012 Goal
Percentage of selected data in information systems that is current to standard	44	46	N/A*	54.1	●	N/A*	100

\* Data not available at this time.

*Improve the administration of national forest lands and facilities in support of the agency's mission.*

Performance Measure	Baseline	2007 Results	2008 Target	2008 Results	2008 Rating	2009 Target	2012 Goal
Percentage of administrative facilities that is being maintained to standard	64	66	66	63	●	66	75
Percentage of newly reported encroachments and title claims administered to standard	60	N/A*	N/A*	N/A*	○	N/A*	90*

\* N/A—This performance measure was discontinued since the publication of the strategic plan.

The rising cost of construction, materials, and fuels have impacted the ability to increase the percent of buildings maintained to standard. The current inventory is larger than we can address with available resources and many facilities are in need of repair as evidenced by a large deferred maintenance backlog.

want from their local parks, nearby woodlands, and national forests to build productive relationships with urban neighbors. Through partnerships among the Forest Service, other Federal agencies, and State and local organizations, we build connections between rural and urban communities.

**Strategic Goal 6: Engage Urban America With Forest Service Programs**

The three branches of the Forest Service collectively contribute to an integrated program of natural resources stewardship to better connect urban residents to the value of well-managed public and private forested lands and improve their quality of life. The Forest Service works to promote understanding and beneficial management of the urban forest. We support conservation education, community “greening” efforts, and programs that provide youth with opportunities to volunteer in tree planting and urban forest inventory activities in their neighborhoods and visit national forests and grasslands. We work closely with a variety of partners at the Federal, State, and local levels to improve our understanding of what urban residents think of and

**Goal 6—Summary of Performance**

The Forest Service achieved the annual results planned for these objectives. The increase in reported accomplishments for number of people who annually participate in Forest Service environmental literacy programs from FY 2007 to FY 2008 reflects several factors. Nationally, the Forest Service is focusing on reconnecting people, especially children, with nature, using a continuum of programming—from outdoor recreational and interpretive activities to multiday intensive teacher training—to enhance environmental literacy. This focus resulted in an overall increase in environmental literacy programming in FY 2008. Additionally, accomplishment reporting became more comprehensive in FY 2008, including efforts previously under-reported, such as interpretive services programs and activities.

Goal 6—Resources Invested (dollars in millions).

Appropriation	FY 2007	FY 2008	FY 2009*
Forest and Rangeland Research	5.0	5.1	5.3
State and Private Forestry	30.1	27.7	27.7
Permanent Funds	0	0	0
Trust Funds	0	0	0
Total	35.1	32.8	33.5

\* FY 2009 based on current services budget under the continuing resolution.

**Goal 6—Strategic Objectives and Performance**

● Met/Exceeded    ● Not met but improved over prior years    ● Not met target    ○ Not Available

Promote conservation education to increase environmental literacy through partnerships with groups that benefit and educate urban populations.

Performance Measure	Baseline	2007 Results	2008 Target	2008 Results	2008 Rating	2009 Target	2012 Goal
Number of people who annually participate in Forest Service environmental literacy programs	2,500,000	4,989,365	N/A*	6,448,041	○	5,000,000	3,200,000

\* Not applicable.

Improve the management of urban and community forests to provide a wide range of public benefits.

Performance Measure	Baseline	2007 Results	2008 Target	2008 Results	2008 Rating	2009 Target	2012 Goal
Number of communities with developing or established urban and community forestry programs resulting from Forest Service assistance	6,564	6,326	5,890	7,139	●	5,890	10,000

In FY 2008, the State Urban and Community Forestry (U&CF) programs continued to provide educational, technical, and financial assistance to communities. U&CF programs also continued to report on local community accomplishments in improving urban forest management, such as hiring professional staff, developing policies and ordinances, developing forest management plans, and establishing community advisory groups. The States, U.S. Territories, and the District of Columbia reported helping 7,139 communities (where 177 million people lived) develop or establish U&CF programs. The U&CF program served approximately 78 percent of the people living in communities with the potential to develop programs to care for their trees and urban forest resources. The number of communities assisted in FY 2008 increased by 813 over FY 2007.

**Strategic Goal 7: Provide Science-Based Applications and Tools for Sustainable Natural Resources Management**

The Forest Service provides science and technology solutions for clients’ and partners’ priority issues in ways that are effective and useful to sustainably manage forests and

grasslands. Science-based applications and tools inform policy and resource management decisions to help achieve desired outcomes. To accomplish this goal, R&D stations and Technology and Development centers will focus on organizational effectiveness as applied to natural resources management by public and private organizations. This includes applications of social sciences, organizational behavior, decision science and implementing effective fire management, response to global climate change, inventory and monitoring activities, landscape alteration, watershed management, energy demand, technology management, and policy analysis.

**Goal 7—Summary of Performance**

The Forest Service achieved the annual results planned for customer satisfaction with R&D products and services, and did not achieve the planned level for number of patent applications filed. It is not realistic to expect the number of patents filed or issued to grow with a decreasing workforce, including research scientists. The number of patents is more likely to decrease; therefore, the number of six patents filed is a realistic goal with the current staffing level.

Goal 7—Resources Invested (dollars in millions).

Appropriation	FY 2007	FY 2008	FY 2009*
Forest and Rangeland Research	94.1	95.6	93.0
State and Private Forestry	4.6	4.5	4.5
Other Appropriations: Gifts, Donations, and Bequests	0.1	0.1	0.1
Trust Funds	2.0	1.8	2.4
Total, All Funds	100.8	102.0	100.0

\* FY 2009 based on current services budget under the continuing resolution.

Goal 7—Strategic Objectives and Performance

● Met/Exceeded    ● Not met but improved over prior years    ● Not met target    ○ Not Available

Increase the use of applications and tools developed by Forest Service R&D stations and Technology and Development centers.

Performance Measure	Baseline	2007 Results	2008 Target	2008 Results	2008 Rating	2009 Target	2012 Goal
Customer satisfaction with R&D products and services (ACSI score) <sup>1</sup>	72	72	72	72	●	73	75
Number of patent applications filed	10	11	10	6	●	6	13

<sup>1</sup> The ACSI assess the satisfaction of private and other external customers with the relevance, usefulness, and accessibility of R&D products and services.

## Analysis of Financial Statements and Stewardship Information

Reference: *Forest Service Agency Financial Report—Fiscal Year 2008*

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

1. Consolidated Balance Sheet
2. Consolidated Statement of Net Cost
3. Consolidated Statement of Changes in Net Position
4. Combined Statement of Budgetary Resources

In producing these statements, the agency seeks to provide relevant, reliable, and accurate financial information related to Forest Service activities. Analysis of the agency’s September 30, 2008, financial statements provides the following highlights. Exhibits 1 through 4 below reflect the comparative amounts for FY 2008 and FY 2007.

### Assets

The Forest Service reported \$5.8 billion in assets at the end of September 30, 2008, representing a decrease of 21 percent from FY 2007 amounts.

The agency attributes this change primarily to a decrease in General Property, Plant, and Equipment (General PP&E), resulting from a voluntary change in the accounting principle to reclassify NFS road (road prism) assets from General PP&E to Stewardship PP&E.

Further information on this change is presented in Financial Statement Note 19—Change in Accounting Principle.

The three major asset categories are shown in exhibit 1.

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 assets<sup>1</sup> or stewardship assets.<sup>2</sup>

<sup>1</sup> 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.

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

Exhibit 1.—*Assets (in millions).*

Asset	FY 2008	FY 2007	Difference	
			Dollars	Percentages
Fund Balance with Treasury	\$4,066	\$3,641	\$425	12%
Accounts Receivable, Intragovernmental, and Non-Intragovernmental	303	220	83	38%
General Property, Plant, and Equipment	1,371	3,458	(2,083)	(60%)
Total of Major Categories	\$5,744	\$7,319	(\$1,575)	(22%)
Other Asset Categories	31	20	11	55%
Grand Total Assets	\$5,775	\$7,339	(\$1,564)	(21%)

## Liabilities

The Forest Service reported \$2.1 billion in liabilities as of September 30, 2008, representing probable future expenditures arising from past events. This amount is consistent with the reported balance as of September 30, 2007.

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

By law, Federal agencies cannot make any payments unless Congress has appropriated funds for such payments and OMB has apportioned the funds. A portion of liabilities reported 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 are 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, which authorizes annual revenue-sharing payments to States for public schools and public roads in the county or counties in which the national forests are located. A portion of

the Payments to States program is funded with agency receipts. The balance is recorded as an unfunded liability for which the Department of Treasury's (Treasury) general receipts are apportioned when the payments are made in the following year.

## Net Position

The Forest Service reported a net position of \$3.7 billion for FY 2008, representing a decrease of 30 percent from FY 2007 amounts. The decrease is attributed primarily to a change in accounting principle to reclassify NFS road (road prism) assets from General PP&E to Stewardship PP&E, and expense the related costs as reflected in an adjustment to the beginning balance of Cumulative Results of Operations.

Net position represents unexpended appropriations consisting of undelivered orders, as well as unobligated funds and the cumulative results of operations. In accordance with the Statement of Federal Financial Accounting Standards (SFFAS) 27—*Identifying and Reporting Earmarked Funds*, earmarked funds for which the Forest Service is responsible for program management are presented separately on the Statement of Changes in Net Position. Both earmarked and other fund totals are included in exhibit 3.

Exhibit 2.—*Liabilities (in millions).*

Liabilities	FY 2008	FY 2007	Difference	
			Dollars	Percentages
Accounts Payable, Intragovernmental and Non-Intragovernmental	\$52	\$64	(\$12)	(19%)
Unfunded Leave and FECA Benefits	605	576	29	5%
Payments to States	531	394	137	35%
Other Liability Categories	895	1,027	(132)	(13%)
Grand Total Liabilities	\$2,083	\$2,061	\$22	1%

Exhibit 3.—*Net position (in millions).*

Net Position	FY 2008	FY 2007	Difference	
			Dollars	Percentages
Unexpended Appropriations, as Adjusted	\$1,970	\$1,307	\$663	51%
Cumulative Results of Operations	1,722	3,971	(2,249)	(57%)
Total Net Position	\$3,692	\$5,278	(\$1,586)	(30%)

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

## Net Cost of Operations

The Forest Service's net cost of operations was \$5.8 billion for the year ended September 30, 2008, representing an increase of 1 percent from FY 2007 amounts. Earned revenue from the public includes such items as the sale of forest products (timber and firewood); recreational opportunities (campgrounds); mineral resources; livestock grazing; and special land use fees for power generation, resorts, and other business activities conducted on NFS lands. The Forest Service also performs reimbursable activities, such as work completed mainly for other Federal agencies, in accordance with the Economy Act and other authorities.

The Forest Service distributes a portion of its earned revenues to eligible States in accordance with Public Law (PL) 106-393, Secure Rural Schools and Community Self-Determination Act of 2000, as amended by PL 110-343, Section 601, (H.R. 1424).

## Expenses

Forest Service program costs were \$6.7 billion for the year ended September 30, 2008, representing an increase of 6 percent from FY 2007. For FY 2008, the agency had increases in Wildland Fire Management costs and Payments to States accruals. Legislation passed on October 3, 2008, retroactively provided additional Payments to States monies.

Exhibit 4 illustrates program costs by responsibility segment for the years ended September 30, 2008, and September 30, 2007.

Exhibit 4.—Gross expenses (in millions).

Gross Expenses	FY 2008	FY 2007	Difference	
			Dollars	Percentages
<b>Program Costs</b>				
National Forests and Grasslands	\$3,309	\$3,277	32	1%
Forest and Rangeland Research	334	302	32	11%
State and Private Forestry	407	378	29	8%
Wildland Fire Management	2,661	2,358	303	13%
<b>Total Program Costs</b>	<b>\$6,711</b>	<b>\$6,315</b>	<b>\$396</b>	<b>6%</b>

## Summary of Key Management Challenges

The Reports Consolidation Act of 2000 requires the Department of Agriculture Office of Inspector General (OIG) to identify and report annually the most serious management challenges USDA and its agencies face. The following major challenges were identified for the Forest Service for FY 2008:

- Implementation of strong, integrated management control (internal control) systems is still needed.
- Continuing improvements is needed in information technology (IT) security.
- Implementation of Improper Payments Information Act Requirements needs improvement.

- Better Forest Service management and community action is needed to improve the health of the national forests and reduce the cost of fighting fires.

During FY 2008, the Forest Service made significant progress in implementing corrective actions to address the IT, improper payments, and financial management challenges. The Forest Service obtained a seventh consecutive 'clean' audit opinion for the FY 2008 financial statements. The IT material weakness was downgraded, and corrective actions to address improper payments were implemented.

For FY 2009, the remaining management challenges and the corrective actions to address the challenges are addressed below.

## Implementation of Strong, Integrated Management Control (Internal Control) Systems

*Improve Forest Service internal controls and management accountability to effectively manage its resources, measure its progress toward goals and objectives, and accurately report its accomplishments.*

In response to this challenge, the Forest Service will do the following:

- Provide better oversight of national firefighting contract crews by implementing controls to monitor and ensure adequate training and ensure preseason language assessments/ certifications.
- Conduct annual systems self-assessment for all financial/ mixed-financial systems.
- Conduct Washington Office oversight reviews on performance accountability in the regions and issue a report.
- Implement 65 percent of corrective actions identified through the OMB Circular A-123, Appendix A (Internal Controls over Financial Reporting) process for financial processes.

- Close 70 percent of open OIG and Government Accountability Office audit recommendations in FY 2009.

## Better Forest Service Management and Community Action Needed To Improve the Health of the National Forests and Reduce the Cost of Fighting Fires

*Develop methods to improve forest health. Establish criteria to reduce the threat of wildland fires.*

In response to this challenge, the Forest Service will:

- Assess the effectiveness of hazardous fuels treatments and restoration projects.
- Obtain clarification on both the Forest Service and the States protection responsibilities in the WUI and on other private properties that are threatened by wildfires.
- Conduct large-fire cost reviews and implement corrective actions, as applicable.
- Develop partnerships with States and counties to facilitate development of fire prevention ordinances for use in planning and zoning in WUI areas.

## Summary of Financial Audit and Management Assurances

### Summary of Financial Statement Audit

Audit Opinion Restatement		Unqualified				
		No				
Material Weakness	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
The Forest Service needs to continue to improve its general controls environment (Downgraded to a Significant Deficiency in FY 2008)	1				1	0
Total Material Weaknesses	1	—	—	—	1	0

