

**Statement of
Chief Dale Bosworth
United States Department of Agriculture
Forest Service**

**Before the
United States House Appropriations Committee
Interior, Environment, and Related Agencies Subcommittee
Concerning the
Forest Service Fiscal Year 2007 Budget**

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Overview

Mr. Chairman and members of the Committee, thank you for this opportunity to discuss the President's Fiscal Year (FY) 2007 Budget for the Forest Service. I am pleased to be here with you today.

The FY 2007 President's budget for the Forest Service totals \$4.10 billion in discretionary funding, which is a \$104 million decrease in funding from FY 2006. The budget advances the top priorities of the agency in order to sustain the health of the Nation's forests and grasslands. I will begin today by sharing some of the Forest Service's successes from the past year; these successes demonstrate our capabilities to accomplish the challenges ahead. Then, I will discuss two other important issues; the proposal in the President's Budget to continue funding for an amended Secure Rural Schools and Community Self-Determination Act and an increased funding request for the Northwest Forest Plan, which will promote improved forest health and more robust forest products economies in the Pacific Northwest.

Finally, I will discuss our strategy for accomplishing agency objectives at a time when our Nation also needs to exercise fiscal discipline to provide the critical resources needed for our Nation's highest priorities: fighting the war on terrorism, strengthening our homeland defenses and sustaining the momentum of our economic recovery.

Forest Service Successes

In 2005, the Forest Service achieved its priorities and demonstrated that it continues to be an agency of great value to the American people. The Forest Service exceeded its goals to restore the health of our forests and protect critical resources from catastrophic wildfires. Working collaboratively with the Department of Interior (DOI), the Forest Service controlled 99 percent of all unwanted and unplanned fires during initial attack.

The Forest Service and the Department of the Interior last year treated hazardous fuels on more than 2.9 million acres of land, and reduced hazardous fuels on an additional 1.4 million acres through other land management actions. Federal agencies plan to treat 2.9 million more acres in 2006, and accomplish hazardous fuels reduction on an additional 1.6 million acres through landscape restoration activities. An additional 4.6 million acres are planned for 2007, which includes 3.0 million acres of hazardous fuels treatments and 1.6 million acres of landscape restoration. By the end of fiscal year 2007, federal agencies will have treated hazardous fuels on more than 21.5 million acres of our nation's forests and wooded rangelands since the beginning of fiscal year 2001, and will have restored an additional 5.1 million acres. In addition, the Forest Service has reestablished itself as a catalyst for economic development by conducting hazardous fuels treatments that can result in a market in forest biomass. Timber receipts are also on the rise as we transition into a new era of cooperative conservation.

I am especially proud this year of the strength and resourcefulness that Forest Service employees demonstrated during their involvement in the relief efforts following the many hurricanes of 2005. In the first four weeks after Katrina's landfall, Forest Service employees provided support to over 600,000 people affected by Katrina, distributing over 2.7 million meals, 4 million gallons of water and 40 million pounds of ice. During peak response to Hurricanes Katrina and Rita, the Forest Service had 5,500 employees working in the affected region, and total Forest Service efforts represented over 250,000 personnel days. Forest Service employees provided a variety of critical services, including managing evacuation centers and base camps, providing logistical support, clearing roadways, and leading forest restoration efforts on both the private and public forests damaged by the storms.

These efforts demonstrated the exceptional work ethic and "can-do" attitude of Forest Service employees. At the Levi Strauss shelter in San Antonio, Red Cross worker Bill Martin reported that "[Forest Service workers] do everything here... They aren't afraid of getting their hands dirty." At this shelter, Forest Service employees became known as the "green pants." The nickname arose from evacuees who quickly learned that if they needed something done quickly or a question answered right away, they could get it from the men and women wearing the green pants of the Forest Service uniform. The commitment to service that Forest Service employees demonstrated during the hurricane relief efforts is the same commitment that sustains the health of our Nation's forests and grasslands.

The National Forest System continues to provide benefits to the American public, including fresh water, flood regulation, carbon sequestration and recreation. 60 million people benefit from clean water provided by national forests and grasslands, and in 2005 the American people made over 200 million visits to the National forests and grasslands. These statistics underscore the importance of the National Forest System to the environmental infrastructure and natural heritage of the United States.

The Forest Service accomplished all these tasks while simultaneously improving its organizational and financial management. In 2005 the Forest Service began its Business Operations Transformation Program, which will advance the efficiency of its technology, budget, finance and human resources operations, and is expected to save the agency \$241 million in administrative operation costs over the next five years. As part of this effort, the Albuquerque Service Center became operational in 2005, and will create a centralized location for human resources and financial management operations.

The Forest Service also achieved its fourth unqualified (“clean”) audit opinion in a row for FY 2005, continuing the agency’s efforts to improve financial performance. Building upon these successes, the Forest Service will use improved financial information to drive results in key areas.

The Forest Service faces many challenges as it enters a new era of natural resource management. The accomplishments of 2005 demonstrate the ability of the Forest Service to meet these challenges as the agency begins its second century of service.

Forest Service Priorities for FY 2007

In FY 2007 the Forest Service will continue its strategic focus on restoring fire-adapted forests; providing sustainable recreation opportunities for the American people, improving the health of our watersheds; and helping our nation meet its energy needs.

In addition to these long-term strategic goals, the President’s Budget provides increased support to Forest Service programs that improve forest health conditions, protect critical resources from catastrophic wildland fire, and help prevent the loss of open space. The President’s Budget demonstrates that the Forest Service can use collaborative approaches and operate with renewed efficiency and accountability in order to reduce costs while accomplishing its mission. The Forest Service will achieve this by: 1) dealing strategically with threats to forest health; 2) expanding collaborative efforts; 3) increasing the efficiency of Forest Service programs; and 4) improving organizational and financial management. Through these four strategies, the Forest Service will build on its past successes and advance its priorities for FY 2007.

Continuing Transitional Support to Rural Communities through the Secure Rural Schools Act

The Secure Rural Schools and Community Self-Determination Act of 2000 (PL 106-393) was enacted to provide transitional assistance to rural counties that had been affected by the decline in revenue from timber harvests on Federal lands. These counties traditionally relied on a share of receipts from timber harvests to fund their school systems and roads. The funding provided by the Act has been used to provide over 4,400 rural schools with critical funding and has addressed severe maintenance backlogs for county roads. Resource Advisory Committees (RACs) established under the act have developed and proposed forest health improvement projects. A recent study by the Sierra Institute for Community and Environment, Assessment of the Secure Rural Schools and

Community Self-Determination Act – Dr. Jonathan Kusel (January 2006), on the effectiveness of RACs under title II and community programs under title III of the Act was encouraging. Each year the level of interaction between RACs, local governments, and citizens has increased, resulting in broader support and understanding of our mission. Additionally, funding for title III has also been used to complete community wildfire protection plans which are necessary to efficiently plan protection strategies for our rural communities.

Payments under the Secure Rural Schools and Community Self-Determination Act of 2000 are authorized through September of 2006. The last payment would be made in Fiscal Year 2007 based on timber and other receipt levels for Fiscal Year 2006. The Administration is committed to provide transitional assistance to counties and States covered under the Secure Rural Schools Act. The Department of Agriculture has worked hard to find the offsets needed to temporarily, while targeting and gradually phasing out, this assistance.

Our legislative proposal described in the President's fiscal year 2007 Budget for the Forest Service would amend the Act. The legislation would provide a source of funding for payments under the Secure Rural Schools Act by authorizing the sale of certain National Forest System lands. These parcels meet criteria identified in existing Forest Land Management plans as potentially suitable for conveyance. Many of these lands are isolated from other contiguous National Forest System lands, and because of their location, size or configuration are not efficient to manage as a component of the National Forest system. Isolated tracts can be expensive to manage because of boundary management and encroachment resolution costs. The sale of these lands will not compromise the health or integrity of the National Forest System; instead, it will allow the agency to consolidate federal ownership and reduce management costs.

The legislation would authorize to the Secretary of Agriculture to sell an adequate amount of National Forest land to fund an \$800 million dollar account that would be used to make Secure Rural Schools Act payments over a five year period. For each fiscal year, the legislation identifies a specific amount from the account that may be used to make the payments. Payments from the land sales fund will be adjusted downwards and eventually phased out. This adjustment recognizes that the Secure Rural Schools Act provided transitional assistance to rural communities adapting to a changing timber economy and a changing federal role in resource extraction.

Funds from the land sales account would be in addition to payments to the States from annual timber and other receipts on National Forests and BLM lands. For administrative purposes, the Secretary of Agriculture would also make the supplemental payments from this account for Bureau of Land Management O&C lands. Payments will continue to be targeted to the most affected areas. Timber receipts are expected to rise over the next five years, which should further help in reducing the impact of the payment phase-out.

Since payments under the Secure Rural Schools Act began in 2001, the affected economies have made important strides in economic diversification and are now less

dependent on federal timber receipts. By selling isolated federal lands, we will further contribute to diversified rural government funding. When the federal lands are sold and become private property, they will be added to the county tax rolls, providing a sustainable funding source for local governments. All of these factors combine into a unified plan to promote robust local economies and reduce the dependence of county governments on direct federal assistance.

The Administration remains committed to acquiring environmentally sensitive lands and protecting them from development. This commitment is reflected in the President's request for a \$5 million increase in funding for the Forest Legacy program, which will protect an estimated 130,000 priority acres in FY2007 through the purchase of conservation easements or fee simple title. In addition, our land acquisition program and land exchange program has been adding about 100,000 acres per year to the National Forest System for the last several years. By selling lands that are inefficient to manage or are isolated with limited ecological values and purchasing critical, environmentally sensitive lands, the Forest Service will maintain the integrity of the National Forest System while funding payments under the Act in a fiscally responsible manner.

Increased Funding of the Northwest Forest Plan

The 2007 Budget also reflects the President's commitment to sustainable forestry in the Pacific Northwest through increased funding for the 1994 Northwest Forest Plan Amendments. The Northwest Forest Plan affects the management and administration of 24.5 million acres of Federal land, of which 19.4 million are managed by the Forest Service within 19 national forests in western Oregon, western Washington, and northern California. The Northwest Forest Plan was designed to produce a predictable and sustainable level of timber sales while protecting the long-term health of forests, wildlife and waterways of the region. The Plan has succeeded in meeting its environmental goals. A 2004 Forest Service review of the first 10 years of the Northwest Forest Plan found that the net gain in older forests since 1994 was between 1.25 and 1.5 million acres, over twice the 600,000 acres expected during the first decade of the plan.

The 2004 review found that the Plan has not been successful at providing a predictable level of timber and nontimber resources. In order to recognize the needs of all parties affected by the Northwest Forest Plan, the President's budget increases funding for the Plan by \$66 million, with \$41 million for forest products, \$6 million for hazardous fuels treatment, and the remaining \$19 million for assorted ecosystem management programs. This level of funding allows the Forest Service to offer in 2007 the Plan's goal of 800 million board feet of timber per year.

The economies of the Pacific Northwest have experienced marked change over the past 15-20 years. The region went from harvesting 4 billion board feet of timber in 1990 to 409 million board feet in 2000, and the forest economies of the region have suffered from the lack of a predictable timber supply. The goal of the Administration is not to return to the peak levels of timber production; instead, the FY 2007 budget provides for a sustainable, predictable level of timber harvest that also protects forest health. The

current forest products economy offers great opportunities for businesses able to use new technologies and tap into expanding markets for new products. With a predictable timber supply established, the Pacific Northwest will be better equipped to adapt and succeed in the changing forest products market.

One of the best examples of new opportunities in forest products is the rapidly expanding market for wood pellets as a fuel source. The demand for wood pellets for commercial and home heating has boomed as Americans face higher heating costs from traditional sources. Wood pellets suppliers have reported shortages from New Mexico to Rhode Island. Pellet producers, such as Forest Energy Corporation in Show Low, Arizona, are running their processing mills 24 hours a day and seven days a week to try and meet demand. In making the wood pellets, Forest Energy Corporation uses the small-diameter wood produced from hazardous fuels treatments in Arizona's national forests. Expanded funding for the Northwest Forest Plan will create similar win/win situations in which both sustainably harvested timber and the byproducts from hazardous fuels treatments are used to meet the growing demand for forest products.

In addition to meeting the Northwest Forest Plan's timber targets, the Forest Service will improve over 3900 acres of terrestrial wildlife habitat and 120 miles of fisheries habitat in FY 2007. The Forest Service has developed a comprehensive strategy for aquatic restoration within the Northwest Plan area to restore priority watersheds.

The President's Budget also enables the Forest Service to continue to emphasize the treatment of hazardous fuels in the wildland-urban interface and address the reforestation needs of recent large forest fires. With the expanded NWFP funding, the agency will continue to emphasize partnerships and integrated projects to protect municipal watersheds, recover habitat for endangered and sensitive species, and control the spread of invasive species.

A Strategic Approach to Restoring Forest Health

The FY 2007 Budget continues the work of the Forest Service under the authorities of the President's Healthy Forests Initiative and the Healthy Forest Restoration Act (HFRA). These authorities have removed administrative process delays and expedited critical restoration projects so that the Forest Service can more effectively restore national forests and grasslands to a more fire adaptive environment.

The 2007 President's Budget provides \$610 million to continue implementation of the Healthy Forests Initiative, to reduce hazardous fuels and restore forest health. The budget proposal, more than a \$12 million increase over 2006, takes an integrated approach to reducing hazardous fuels and restoring forest and rangeland health. Along with \$301 million to the Department of Interior (DOI), the FY2007 budget provides a total of \$913 million to implement the Healthy Forest Initiative and the Healthy Forest Restoration Act.

In 2005, the Forest Service treated 2.72 million acres of land to reduce hazardous fuels, with over 60 percent of those acres in the wildland-urban interface. The FY 2007 budget proposes \$292 million for the treatment of hazardous fuels. Combined with other programs; the agency will treat as many as 3.2 million acres, with a majority of acres treated in the wildland-urban interface. Recent court decisions affecting our use of categorical exclusions to accomplish this work will have an effect on our ability to rapidly and efficiently treat these acres that are in need of fuels reduction. The Forest Service is also better integrating its hazardous fuels treatments with other vegetation management activities. The result is an additional 1.1 million acres of hazardous fuels treated in 2005 as secondary benefits to other vegetation management activities. Hazardous fuels treatments, in turn, often have secondary benefits such as wildlife habitat improvement or watershed restoration.

Another important tool for improving forest health is stewardship projects. These projects allow forest managers to more efficiently manage efforts to restore forest health through the use of one contract document authorizing the disposal of national forest system timber incidental to and in exchange for services to be performed on national forest system land. The President's budget will allow the Forest Service to award approximately 100,000 acres of stewardship projects in FY 2007, providing services such as noxious weed treatment, lake restoration, and harvesting biomass for energy use.

In FY 2007 the Forest Service will continue to assist communities adjacent to National Forest land in the development of Community Wildfire Protection Plans (CWPPs). CWPPs enable communities to establish a localized definition of the wildland-urban interface in their area, and high-risk areas identified in a CWPP receive funding preference from the Forest Service. As of December 2005, at least 450 CWPPs had been completed nationwide, covering at least 2,500 communities at risk from wildfire

In 2005, fires burned 8.6 million acres on Federal lands; the fire season was characterized by a continuing drought and dry fuel conditions. Climate forecasts and estimates of fuel loads on our Nation's forests highlight the continued need for highly trained and efficient fire prevention and fire suppression programs. In order to maintain these programs, the President's Budget proposes a \$56 million increase above the FY 2006 enacted amount for wildland fire suppression. This funding request equals the most recent 10-year average for suppression costs, which are on an upward trend.

In 2005, the Forest Service continued its success in initial fires suppression, containing 99 percent of all unwanted fires. The President's Budget provides the preparedness funding needed to maintain this initial attack success rate. The development of an interagency fire managing planning and budget model to support cost effective allocation of preparedness resources is currently underway. The President's Budget provides additional incentives for reducing suppression costs by authorizing use of unobligated wildfire suppression funds for hazardous fuels treatment. This provides an incentive for line officers to reduce suppression expenses so they can have more resources to conduct hazardous fuels treatment. We are also committed to managing wildland fires for resource benefits or, as we also refer to it as, wildland fire use. This option is available to

Federal agencies that have an approved land use plan and a fire management plan that allows for it. Our ability to manage naturally occurring fires in order to improve the health of fire dependent forests is increasing each year. The 2005 total of an additional 251,000 acres was significantly higher than 2004 and we look forward to increasing our capability to use this important tool.

These programs demonstrate the Forest Service's multi-faceted approach to restoring National forests and grasslands to a more fire adaptive environment. Through stewardship contracting, collaboration and community involvement, strategic treatment of hazardous fuels, and well-planned fire prevention and suppression, we are having a long-term impact on minimizing wildfire threats.

The protection of forest health and open space is increasingly affected by the dynamics of a global timber market. Timber prices are now often set globally; the result has been a reduction in the private wood products infrastructure and divestment of timber companies from their timber land in the United States. These trends have altered the economic and environmental reality in which the Forest Service operates. The FY 2007 budget provides several strategies to deal with these realities.

The sell-off of industrial timber lands opens up millions of acres to potential development, which in turns adds to the threat of the loss of open space. To counter these trends, the President's Budget requests \$62 million for the Forest Legacy Program, which will protect an estimated 130,000 priority acres in FY 2007. The Forest Legacy Program works in concert with the cooperative efforts of other Federal, State and non-governmental organizations to assist private landowners sustain intact, working forests.

The Forest Service's efforts to restore forest health are also affected by the global timber market. With the reduction in mill capacity and other related infrastructure, market conditions have created a more limited demand pool and led to higher costs for remaining purchasers, adversely affecting the financial feasibility of restoration work on our Nation's forests and grasslands. The FY 2007 budget addresses this need by dedicating \$5 million to foster markets in biomass utilization. Additionally, authorities of HFI/HFRA and stewardship contracting enable more efficient and effective partnerships with the local community in treating hazardous fuels, and promote investment in the local infrastructure to utilize timber.

With greater exchange of global goods also comes greater transfer of invasive species. The FY 2007 budget provides over \$94 million to Forest Service invasive species programs, allowing the agency to complete invasive species suppression, prevention and management on over 61,000 acres of Federal lands and 315,000 acres of state and private lands. These efforts involve enhanced collaboration with Forest Service partners to find and implement solutions to invasive species problems. In 2004 the Forest Service invasive species program underwent a program assessment rating tool (PART) evaluation. As a result of the assessment, new program performance measures based on a scientific or policy basis for validating agency actions were developed to more frequently update and utilize forest health risk maps for decision making and allocation

of resources; and to provide for the measurement of the environmental and economic effects of invasive species treatments.

An additional strategy for protecting forest health involves USDA's work to broaden the use of markets for ecosystem services through voluntary market mechanisms as announced by Secretary Johanns at the White House Conference on Cooperative Conservation. As part of this effort, Forest Service Research and Development will continue its work regarding the quantification of ecosystem services values.

Increased Collaborative Efforts

The White House Conference on Cooperative Conservation, held in August 2005, marked an important milestone in the effort to expand and improve collaboration in natural resource management. The White House Conference underscored a clear lesson learned from the Forest Service Centennial -- that the Forest Service has entered a new, more collaborative era of natural resource management. Many of the rules and laws governing the Forest Service were enacted at a time when the focus of the agency was on producing timber and mitigating adverse impacts in order to maintain other resource uses, such as recreation and habitat. Today we are focusing on improving forest health and promoting sustainable recreation. The rules and procedures created during the former era of resource extraction often slow down important restoration work during the current era of restoration. In order to work effectively in this new environment, the future of the Forest Service must be built on collaboration instead of top-down regulation.

The new planning rule for the Forest Service creates a dynamic planning process that is less bureaucratic, emphasizes sound science, and encourages more public involvement earlier in the planning stages. We also expect that the new system of planning will be more strategic, transparent, timely and efficient. The planning process will be more effective because the rule requires annual evaluation of monitoring results and a comprehensive evaluation every 5 years. These evaluations will provide land managers with information to make necessary changes. The rule also requires establishment of an Environmental Management System, which focuses on continual improvement on each administrative unit. The new rule also requires opportunities for public involvement at four key stages in the planning process. Under the old planning rule, it usually took five to seven years to revise a 15-year land management plan; under the new rule, we expect that a plan revision will take from two to three years, saving the agency significant time and money.

The new travel management rule, issued in November 2005, provides another example of successful cooperation resulting in effective rule making. In 2004, OHV users accounted for between 11 and 12 million visits to national forests and grasslands. While the Forest Service believes that OHVs are a legitimate use of the National Forest System, unmanaged OHV use has resulted in unplanned roads and trails, erosion, watershed and habitat degradation, and impacts to cultural resource sites. The 2005 travel management rule requires each national forest and grassland to designate the roads, trails and areas that will be open to motor vehicle use. Ranger districts and national forests will work

with State and local governments and user groups to decide which routes and areas will be open to motor vehicle use. The Forest Service will engage the public so that travel management will be a cooperative process, which in turn will help increase compliance. The result will be greater protection for recreation resources without significant expenditures from Forest Service appropriations.

In 2004 Congress approved the Federal Lands Recreation Enhancement Act, giving the Forest Service a 10-year authority to reinvest a portion of collected recreation fees to enhance local recreation opportunities and improve wildlife habitat in the area. The Act also directed the creation of recreation advisory committees that will provide public involvement and comment on recreation fee programs. The recreation advisory committees are another example of the Forest Service's continued commitment to improving its effectiveness and efficiency through increased public involvement and cooperation. I want to thank Congress for providing the Forest Service with this new and effective tool for cooperative conservation.

We will soon be establishing a number of advisory committees and councils throughout the country to afford communities and citizens the opportunity to provide input into the recreation fee program as prescribed in the Federal Lands Recreation Enhancement Act (REA) which was enacted into law as part of the 2005 Consolidated Appropriations bill.

In conjunction with the Department of the Interior's Bureau of Land Management (BLM) we will work with existing BLM Advisory Councils in seven western states (Idaho, Montana, Utah, Nevada, Colorado, Arizona, and New Mexico) to jointly use the seventeen existing councils in those states to provide a forum for public involvement in the recreation fee program for both agencies.

In addition, we will establish six new Recreation Resource Advisory Committees (RRACs) covering the Northeastern US, Southeastern US, the States of Oregon and Washington, California, Alaska and Nebraska. With the exception of the State of Alaska, these new committees will be established in association with the BLM.

A final example of collaboration includes working closely with the Bureau of Land Management in the energy permitting process. The Energy Policy Act of 2005 allows the BLM and the Forest Service to develop interagency agreements to support established BLM pilot offices designed to streamline the oil and gas permitting process on federal lands. These agreements will be used to reduce the backlog of oil and gas applications for permit to drill and improve the inspection and enforcement processes. This realignment will increase the resources available to process energy permit applications, resulting in a more effective permitting process.

The Partnership Enhancement Act, currently under review by Congress, is an additional proposal that would advance the flexibility and effectiveness of the Forest Service. The Partnership Enhancement Act will clarify and simplify the Forest Service's legal authority to enter into mutual benefit agreements with a wide variety of collaborators.

This Act would expand the Forest Service's ability to engage in cooperative agreements with the local community and other interested parties.

Increase the Efficiency of Forest Service Programs

The President's Budget reflects continued implementation of the Forest Service's vision as a "Center of Excellence in Government" in which it will be viewed as a model agency recognized for efficiently delivering its services. The Budget continues reforms that will streamline the Forest Service's organization, improve accountability, and focus on measurable results. The Budget reduces indirect costs to \$461 million, and reflects completion of organizational efficiency studies that will lead to savings in FY 2008 and beyond. The Budget further reflects a continuing emphasis on Forest Service performance and accountability by including two new performance measures for the National Forest System: (1) the use of volume sold as an annual output measure for forest products and (2) an annual efficiency measure consisting of the ratio of total receipts for each activity to the obligations for each respective activity that generates those receipts. These reforms will foster a greater focus on results; lead to improved decisions based on performance; and enhance accountability through the use of more readily available and better quality performance information.

Through the President's Budget the Forest Service will continue to make use of valuable authorities that Congress has recently made available to the agency, and the Forest Service will continue its efforts to increase program efficiency. With the provisions of the Forest Service Facilities Realignment and Enhancement Act, the Forest Service is reducing its administrative site maintenance backlog and improving efficiency in its land management program. This new authority provides a necessary incentive to identify and maintain needed facilities while streamlining facility holdings that reflect a bygone era of forest management. In FY 2006, we anticipate \$37 million in receipts from this conveyance authority and we will be initiating over 100 administrative site conveyances with projected receipts of over \$77 million by FY 2009. In short, the new authority enables the Forest Service to accomplish more with its Capital Improvement and Maintenance funds, while also decreasing the deferred maintenance backlog by removing unneeded facilities and producing additional funds to enhance mission-critical ones.

In FY 2007, the Forest Service will continue to implement the FY 2006 changes to Knutson-Vandenberg (K-V) authority, which allow the Forest Service more flexibility in the expenditure of K-V funds. Consistent with OMB direction to offset increases in mandatory spending, the agency has issued direction to the field to increase collections into the National Forest Fund to offset the increase in the K-V program. I would like to express my appreciation for support that this Subcommittee has given the Forest Service in improving these authorities.

Providing high quality recreation opportunities on the National forests and grasslands is of great importance to the Forest Service. National forests and grasslands received over 200 million visits occurring in 2005. The Agency is developing a programmatic plan called, "the capacity-building model for sustainable recreation," that will identify ways to

build capacity to meet increasing demand. Tools will include partnership development, volunteerism, recreation fee revenues, improved business practices, and prioritization of recreation facility assets. Specific actions in 2007 will include completion of recreation facility master planning to prioritize facility assets; completion of a feasibility study on retention of recreation special use fees; continued implementation of the Federal Lands Recreation Enhancement Act; collaborating with private sector partners to create a web site on improved business practices, including use of grant resources and volunteerism; and completing a skills assessment to enhance business and financial skills.

In 2005 the recreation program PART assessment was conducted. As a result of this assessment we are taking actions to improve the recreation program performance, including updated performance measures connecting recreation program performance with achievement of the strategic goals; taking measures to improve visitor satisfaction and completing recreation business plans for each of the National Forest and Grasslands.

The President's budget reflects the efforts of Forest Service Research and Development (R&D) to improve research programs while also advancing deficit reduction goals. To do this, R&D is expanding collaborative and coalition building efforts, focusing funding on research with external partners, and aligning research projects along strategic program areas.

R&D is hosting two "Outlook Workshops" on future forestry research with non-governmental organizations (NGO's), government partners, academia and industry to encourage a common research agenda for all sectors of forestry research. In January 2006, R&D participated in a summit for Deans from U.S. forestry programs to lay plans for a common research agenda. The Forest Service will also continue to support the larger research community through the Forest Inventory Analysis (FIA). The FIA is the Nation's only forest census, and it has been tracking the conditions of America's forests for roughly 75 years. The President's Budget funds the FIA program at a level that will allow the program to cover 93percent percent of the nation's forests with an annual inventory.

R&D is also refocusing its research dollars, further increasing R&D's support of external and collaborative research efforts from 13 percent of the R&D budget to 20 percent over the next five years. Finally, R&D is reorganizing its research along strategic programs areas, so the Agency can best produce the research that supports current priorities. Along these lines, the President's Budget allocates \$1.5 million to research on the value of ecosystem services; \$3.5 million to research on biomass markets and utilization; and includes funding for the reorganization of the Forest Products Lab, so the Lab can better focus on research that increases the utilization value of wood products, particularly in the areas of biomass, small diameter utilization, and energy and biofuels production from biomass. Through these efforts, the science produced by Research & Development will continue to be the foundation for effective Forest Service programs.

Improving Organizational and Financial Management

In support of the President's Management Agenda, the FY 2007 budget continues the Forest Service's efforts to improve organizational and financial management. The Forest Service's Business Operations Transformation Program is improving the overall efficiency of the Forest Service's administrative operations and increasing the Agency's ability to redirect funds from indirect costs to mission delivery. The Albuquerque Service Center successfully opened this past year, bringing nearly 400 employees to a consolidated budget and finance center that will better serve the needs of Forest Service internal and external customers. During the next five years, the Business Operations Transformation Program is estimated to result in \$241 million in savings for the Forest Service.

The centralization of Forest Service budget and finance will also create greater transparency, accountability and efficiency in the agency's financial management. The Forest Service continues to improve its financial management, as evidenced by the Agency's 4th consecutive unqualified ("clean") audit in 2005. Building upon these successes, the Forest Service will use improved financial information to drive results in key areas.

The President's Budget also continues support for the Forest Service Competitive Sourcing program, and focuses on proper and timely implementation of completed competitive sourcing studies and rigorous analysis of the studies' results and savings.

In FY 2007 the Forest Service will continue its work in Budget and Performance Integration through implementation of its strategic plan, Performance Accountability System, and by making effective use of the Program Assessment Rating Tool (PART). The Forest Service Strategic Plan helps the Agency and its field units develop programs of work that address natural resource needs while maximizing limited resources and improving performance accountability. The Strategic Plan will be revised in FY 2006 to reflect the latest needs and resources of the agency.

Through the PAS, the Forest Service is integrating existing data sources so that timely, consistent and credible performance information will be available for project and program managers as well as external customers. In addition, PART efforts will ensure that the Agency's activities are aligned with its strategic plan. Thus far the Forest Service has used PART to evaluate the following programs: Wildland Fire Management, Capital Improvement & Maintenance, Forest Legacy, Invasive Species, Land Acquisition, Recreation and Energy. These assessments have resulted in development of improved performance measures to better track accomplishments and increase accountability and better integration of strategic goals with program accomplishments. For the FY 2008 budget process, the Forest Service will complete a PART analysis of mission-support activities and programs aimed at improving watershed quality, and will reassess Wildland Fire and Invasive Species. Results from the PART process have been, and will continue to be, used to improve program management and develop better performance measures.

Conclusion

The FY 2007 Budget reflects the President's commitment to providing the critical resources needed for our Nation's highest priorities. The FY 2007 budget responds to the national need for deficit reduction while preparing the Forest Service for a new, more collaborative, era of natural resource management. With this budget the Forest Service will continue to identify and support more efficient and effective methods of pursuing its mission. This will be accomplished through increased collaboration, the use of new legislative authorities, expanded program efficiencies and improved organizational and financial management. Through these efforts the Forest Service will continue to sustain the health and productivity of the Nation's forests and grasslands.

Thank you for this opportunity to discuss the President's Budget. I look forward to working with you to implement our FY 2007 program, and I'm happy to answer any questions that you may have.