



United States Department of Agriculture

Office of the Secretary
Washington, D.C. 20250

AUG 3 2010

The Honorable Dianne Feinstein
Chairman
Subcommittee on Interior, Environment,
and Related Agencies
Committee on Appropriations
United States Senate
131 Dirksen Senate Office Building
Washington, D.C. 20510

Dear Madam Chairman:

As required by Section 327(f) of Public Law 104-134, 110 Stat. 1321-207, I am pleased to enclose the Department of Agriculture's Forest Service report on the Timber Sale Pipeline Restoration Fund. This report describes the fiscal year 2009 implementation, accomplishments, and planned program for the Fund.

A similar letter and copy of the report are being sent to Senator Lamar Alexander, Congressmen James P. Moran and Michael K. Simpson.

Sincerely,

A handwritten signature in black ink, appearing to read "Tom Vilsack".

Thomas J. Vilsack
Secretary

Enclosure



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AUG 3 2010

The Honorable James P. Moran
Chairman
Subcommittee on Interior, Environment,
and Related Agencies
Committee on Appropriations
U.S. House of Representatives
B-308 Rayburn House Office Building
Washington, D.C. 20515

Dear Mr. Chairman:

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A similar letter and copy of the report are being sent to Congressman Michael K. Simpson and Senators Dianne Feinstein and Lamar Alexander.

Sincerely,

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Thomas J. Vilsack
Secretary

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AUG 3 2010

The Honorable Michael K. Simpson
Ranking Member
Subcommittee on Interior, Environment,
and Related Agencies
Committee on Appropriations
U.S. House of Representatives
1016 Longworth House Office Building
Washington, D.C. 20515

Dear Congressman Simpson:

As required by Section 327(f) of Public Law 104-134, 110 Stat. 1321-207, I am pleased to enclose the Department of Agriculture's Forest Service report on the Timber Sale Pipeline Restoration Fund. This report describes the fiscal year 2009 implementation, accomplishments, and planned program for the Fund.

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Thomas J. Vilsack
Secretary

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TIMBER SALE PIPELINE RESTORATION FUND
Fiscal Year 2009 Report of the USDA Forest Service
Implementation, Accomplishments, and Planned Program
April 30, 2010

A. Introduction

Section 327 of the Omnibus Consolidated Rescissions and Appropriations Act of 1996 (P.L. 104-134), enacted on April 26, 1996, provides an additional source of funding to pay for the preparation of timber sales and to address the backlog of recreation projects.

Section 327 directs the Department of the Interior (USDI) and the Department of Agriculture (USDA) to establish separate Interior and Agriculture Funds, respectively. Revenues received from the timber sales released under Section 2001(k) of the fiscal year 1995 Supplemental Appropriations for Disaster Assistance and Rescissions Act, minus the funds necessary to make payments to States or local governments under other law, which are in excess of \$37.5 million, are deposited into the Funds. Section 2001(k) directed the Secretaries of the Interior and Agriculture to release for harvest certain timber sales subject to Section 318 of P.L. 101-121 (103 Stat. 745). Information compiled by the Forest Service in late 1996 indicated that the agency had 29 sales awarded or released under Section 2001(k), plus an additional 42 sales that were to be replaced by new sales. The receipts generated from these sales are termed "first generation" funds.

From the funds deposited into the Agriculture and Interior Funds, the law directs that 75 percent of the revenues are to be available for the preparation of non-salvage timber sales, and 25 percent are to be available for the backlog of recreation projects.

On February 23, 1997, the USDA's Forest Service and the USDI's Bureau of Land Management (BLM) entered into a Memorandum of Understanding (MOU) providing direction on how the \$37.5 million, and all additional timber sale receipts from the 2001(k) sales, would be calculated and shared between the two agencies as required by law. That MOU was replaced by the current MOU on February 2, 2006. Calculations reflecting the changing balance of revenues between these two agencies continue to be prepared each fiscal year (FY).

B. Report Requirements

The law requires that the Secretary concerned prepare an annual report describing the expenditures made from the Fund, the revenues received into the Fund, the timber sale and recreation work undertaken during the previous year, and the work projected for the next year for each Forest Service region. Reports by the Forest Service have previously been completed annually covering FYs 1997-2008.

C. Status of the 2001(k) and Replacement Sales

Many of the 71 qualifying sales were harvested, and the receipts deposited, by the end of FY 1996. Most of the remaining replacement sales were either cancelled or delayed pending resolution of the issues that were addressed in the President Barack Obama's Plan for the Pacific Northwest. As of September 30, 2009, eight replacement sales remain in various stages of negotiation, planning, preparation, or harvest.

D. Financial Accomplishments

Through the end of FY 2009, over \$78 million in total revenues have been collected by the Forest Service from the 2001(k) timber sales and the replacement sales. After necessary deposits are subtracted (i.e., K-V Fund, Salvage Sale Fund, O&C Lands transfers, 25% Fund payments, and 10% Roads & Trails Fund), and after the share of the \$37.5 million Treasury deposit is recalculated between the Forest Service and BLM and any necessary transfer is made between the agencies, the Forest Service has deposited approximately \$19.8 million in net revenues into the Agriculture Fund for new timber sale pipeline preparation and backlog recreation projects.

This "first generation" funding has been used since FY 2001 to complete additional timber sales and recreation facilities projects, and the resulting timber sales have generated an additional \$30 million in net receipts that have also been deposited into the Agriculture Fund. These "second generation" receipts are not subject to the revenue balancing requirement with the BLM, and may continue to be used in the future for these same purposes.

In FY 2009, the agency obligated or expended approximately \$5,385,371 from this Fund. The table that follows summarizes the obligations and expenditures by region and program, rounded to the nearest dollar. This information is derived from the year-end closing (Period Ending 13) "Funds Control by Program-National" report available from the Forest Service's Foundation Financial Information System (FFIS).

REGION	TIMBER SALE Obligations & Expenditures FY 2009	RECREATION Obligations & Expenditures FY 2009
1	N/A	\$0
2	N/A	N/A
3	N/A	N/A
4	\$0	\$4,625
5	\$0	\$9,080
6	\$140,561	\$55,717
8	\$890,833	\$877,915
9	\$2,098,430	\$1,308,210
10	N/A	\$0
Total	\$3,129,824	\$2,255,547

Notes: N/A = Not applicable, i.e. not participating in the program at this time.

E. Program Accomplishments for FY 2009

1. Recreation – FY 2009

Recreation funds totalling \$996,179 were distributed to Regions for recreation backlog projects in FY 2009, a reduction of \$343,299 from FY 2008. These net revenues were derived from 25% of the 1st and 2nd generation timber sale receipts collected in FY 2008.

The status of the FY 2009 projects is as follows:

Region 8: FY 2009 Allocation: \$290,546

National Forests in Alabama – Payne Lake Recreation Area – decommissioned bathhouses, wastewater system, and 19 campsites.

Chattahoochee-Oconee National Forests – Nancytown Recreation Area – repaired existing trail bridge.

Kisatchie National Forest – Kisatchie Bayou Recreation Area – refurbished tent and picnic sites, and restored banks along stream damaged by heavy use.

Corney Recreation Area – replaced 160 feet of shoreline retaining wall to reduce erosion and improve visitor safety.

Francis Marion-Sumter National Forests – Indian Creek Trail Bridge – replaced existing, unsafe bridge located on the Palmetto Trail.

National Forests in Texas – Harvey Creek – decommissioned facilities - 44 sites, two toilet buildings, and wellhouse; Townsend Park - decommissioned facilities - 23 sites, three buildings, and wellhouse; Coffeemill – decommissioned unsafe fishing pier; and Neches Bluff - plugged well and removed buildings.

Region 9: FY 2009 Allocation: \$700,755

Huron-Manistee National Forest - Pine River Corridor Restoration – rehabilitated four access points/sites to the river, restored river banks and canoe/boat launch points, installed new picnic tables and new CXT toilet buildings, and removed some lesser-used toilet buildings. Project is expected to phase into FY 2010.

2. Timber Sale Pipeline Preparation – FY 2009

Funds totalling \$4,938,000 were distributed to the Regions for timber sale pipeline preparation in FY 2009, an increase of \$993,640 over the previous FY. These net revenues were derived from 75% of the net second generation timber sale receipts collected in FY 2008.

The table that follows shows the second generation timber sale pipeline preparation work and timber sale accomplishments in each Forest Service region during FY 2009 using all Agriculture Fund field allocations to date, including the funding allocated to the field in FY 2009. It also shows total receipts collected in FY 2009 from all of the sales funded through FY 2009.

Region	Timber Pipeline Volume (CCF)	Timber Volume Sold (CCF)	Timber Volume Harvested (CCF)	Total Pipeline Fund Receipts Collected (\$)
1	N/A	N/A	N/A	N/A
2	N/A	N/A	N/A	N/A
3	N/A	N/A	N/A	N/A
4	0	4,194	0	0
5	0	0	0	0
6	43,722	48,968	0	0
8	138,108	39,949	39,988	\$2,299,593
9	432,953	91,990	48,757	\$4,852,354
10	N/A	N/A	N/A	N/A
Total	614,783	185,101	88,745	\$7,151,947

Notes: Data above reflect accomplishments from all prior Pipeline Fund field allocations during the FYs shown.

N/A = Not applicable, i.e. not participating in the program at this time.

CCF = hundred cubic feet. Multiply CCF times 0.5 to approximate thousand board feet (MBF).

Timber Pipeline Volume is Gate 2 and/or Gate 3 completed and projected for offer in any future FY.

This information comes from forest-level accomplishment reports.

Timber Volume Sold comes from forest-level accomplishment reports.

Timber Volume Harvested comes from forest-level accomplishment reports.

Receipts Collected come from the FY ending All Services Receipts – Receipts Summary Report (ASR-04).

F. Work Planned for FY 2010 and Beyond

1. Recreation – FY 2010 and Beyond

Recreation funds totalling \$1,485,000 will be distributed to Regions for backlog recreation work in FY 2010. This amount includes revenues derived from 25% of 1st and 2nd generation timber sale receipts.

Planned projects include:

Region 6: FY 2010 Allocation: \$ 35,000

Gifford Pinchot National Forest (GIP) – Moss Creek Campground; replace a deficient double vault toilet with a double CXT toilet to reduce deferred maintenance and enhance visitor satisfaction.

Region 8: FY 2010 Allocation: \$450,000

Chattahoochee-Oconee National Forests – Hillsboro Lake Recreation Area – rehabilitate Host sites and remove pit toilet.

Kisatchie National Forest – Saline Bayou Canoe Trail – rehabilitate recreation facilities along the trail, including table replacement, shoreline stabilization, and other site amenities.

National Forests in Mississippi – Clear Springs Recreation Area – rehabilitate and/or replace site amenities, such as tables, grills, and lantern posts.

Francis Marion-Sumter National Forests - Whetstone Recreation Area, Enoree District Recreation Sites, Wambaw Cycle trail – site rehabilitation, toilet replacement, CCC shelter rehabilitation, and trail surfacing.

National Forests in Texas - TADRA Horse Trail – rehabilitate trail surface, drainage, and bridges to provide for user safety.

Region 9: FY 2010 Allocation: \$1,000,000

Huron-Manistee National Forest– Pine River Corridor Restoration – continue completion of FY 2009 project, including a contract modification, toilet removal, and finishing accessibility and sidewalks.

Mark Twain National Forest – Motorized Trail Campground Rehabilitation – design, project administration, construction at Sutton Bluff to include resurfacing of asphalt roads and campsite spurs, and associated clearing, grubbing and mobilization costs.

Mark Twain National Forest – River Sites Rehabilitation – design project administration, construction to include resurfacing asphalt roads and campsite spurs, associated clearing, grubbing and mobilization costs.

Shawnee National Forest – Lake Glendale Recreation Area - replace existing water and wastewater systems.

Wayne National Forest – Leith Run Campground – replace waterline, fountains, and upgrade wastewater system.

White Mountain National Forest – Brickett Place National Register Historic Structure – stabilize and rehabilitate building to include window/door masonry repairs, interior and exterior carpentry repairs, and project administration.

2. Timber Sale Preparation Planned – FY 2010 and Beyond

First and second generation sale timber sale pipeline preparation funds available from qualifying FY 2009 timber sale receipts are \$2,412,093, a decrease of \$591,043 from the previous fiscal year. Most of these funds will be made available in FY 2010 for new timber sales in those Regions where the receipts were generated. The table that follows shows FY 2010 field allocations planned for timber sale pipeline preparation, along with the timber sale pipeline preparation work planned for each Forest Service region during FY 2010 and beyond using all unspent Agriculture Funds.

Region	New Budget Authority (\$)	Timber Pipeline Volume (CCF)	Timber Volume Under Contract (CCF)	Timber Volume Harvested (CCF)
1	N/A	N/A	N/A	N/A
2	N/A	N/A	N/A	N/A
3	N/A	N/A	N/A	N/A
4	\$400,000	0	13,283	0
5	\$0	49,915	43,435	6,000
6	\$350,000	54,730	58,810	13,513
8	\$2,250,000	145,673	100,323	53,814
9	\$4,000,000	453,343	213,129	64,154
10	N/A	N/A	N/A	N/A
Total	\$7,000,000	703,661	428,980	137,481

Notes: Data above reflect proposed accomplishments from all field allocations from the Agriculture Fund.

N/A = Not applicable, i.e., not participating in the program at this time.

CCF = hundred cubic feet. Multiply CCF times 0.5 to approximate thousand board feet (MBF)

New Budget Authority comes from the FY 2010 final field program direction.

Projected volumes come from forest-level accomplishment reports.

G. Provisions for Agriculture Fund Termination

Timber sale pipeline means the timber volume being analyzed and/or prepared for offer in a future fiscal year. The law establishing the Timber Sale Pipeline Restoration Fund requires the Secretary of Agriculture to make a finding that, when sales sufficient to achieve the total allowable sales quantity (ASQ) of the National Forest System have been prepared, payments to the Agriculture Fund shall be terminated and any unobligated funds in the Fund returned to the U.S. Treasury as miscellaneous receipts. The Forest Service would consider this to have occurred when we have sufficient timber sale pipeline volume prepared at the end of any fiscal year for the next fiscal year's regular timber sales program (not including salvage) equal to 80 percent of the allowable sales quantity currently in effect as of the end of that fiscal year. The remaining 20 percent would come from short-term sales being fully prepared during the current year.

The ASQ currently is about 6.2 billion board feet, which includes about 1.6 billion board feet of salvage. Eighty percent of the regular (non-salvage) program would be about 3.7 billion board feet $[(6.2 \text{ BBF} - 1.6 \text{ BBF}) * 0.8]$. This ASQ amount will fluctuate as forest plans are amended or revised. As of the end of FY 2005 (no more recent update is available), the Forest Service had approximately 159 million board feet (318,740 CCF) of timber sale pipeline volume that was progressing normally and had been field prepared for offer in FY 2006. Were this timber sale pipeline volume level to remain constant in the future, the Forest Service would need to accomplish an additional 3.54 billion board feet $[3.70 \text{ BBF} - 0.16 \text{ BBF}]$ using this Fund before we could certify that the timber sale pipeline has been filled. Until such time as we can demonstrate that we can significantly increase the size of the Fund and sustain it so that we can begin to approach the amount of volume required, we cannot project when the timber sale pipeline would be filled.