

## **FY2017 Forest Products Volume/Funding Update and Out-Year Projections Narrative Region 6**

*Required Unit Rate:* Funding requested in this capability response reflects the need for a total timber program funding level (appropriated funds and perms&trusts) of \$100-\$120/MBF. Region 6 has a need to “catch up” in building shelf stock in order to reduce the dependence on late 4<sup>th</sup> quarter sales and provide a more even flow of timber volume throughout a given fiscal year. Increasing the unit rate to match the actual cost of doing business will help us work toward this goal. The numbers provided in the capability template show an additional investment (higher unit rate) in FY17-19 to allow Forests to hire additional staff and begin to build their program. Once those staff are in place and additional NEPA is completed, volume production can increase at a higher rate. A commitment to increased funding levels is needed for Forests to feel confident to make the hiring decisions needed for increased timber volume production. The decreased NFTM funding level in FY17 Scenario 1 (due to lack of prior year funds) would not allow Forests to work toward an increased volume level, and would require tough decisions to be made on Forests that filled positions in line with the FY16 funding and target level. The Region is currently staffed for a timber program of ~600MMBF.

*Permanent and Trust Funds (P&T):* SSSS and CWK2 funding levels were adjusted in Scenario 1 to match the level of allocations planned for FY17. Over the last few years, Forests have been forced to rely heavily on P&T (SSSS and CWK2) to deliver the program because the level of appropriated funds has not provided the unit rate of funding necessary for target attainment (\$100-120/MBF). This is a short-term fix, and Forests will not be able to sustainably supplement appropriated funds at this high of a level. In addition, the continued increase in overhead rates for P&T (e.g. SS is over 77%) has effectively decreased the ability to retain funds at the Forest level. Reducing overhead rates is necessary to increase Forest-level collections and provide sustainable long-term funding from P&T accounts. In out-years we will reduce our use of P&T to more closely match collection levels, which results in an increased need of appropriated funds to produce timber volume.

*WFHF Funding:* Approximately 1/3 of regular WFHF program funding at a Forest-level is used to support projects with a timber output, as shown on the capability template. In both FY15 and FY16, R6 received Supplemental Hazardous Fuels funding for projects with additional timber volume outputs (14MMBF in FY15; 20MMBF in FY16). Volume associated with Supplemental Hazardous Fuels funding is not shown on the capability template; however, we anticipate proposals for at least 16MMBF of additional volume in FY17.

*CMRD Funding:* CMRD funding has decreased substantially over the last number of years. The FY17 Scenario 1 funding level of CMRD is not adequate to meet the basic funding needs for roads and engineering support in the Region. At a minimum, budgeting \$30/MBF is needed to meet the basic needs for the timber program. As the timber program grows, additional funding will be needed for engineering support associated with an increased timber harvest.

Currently, we have aging infrastructure and a very large backlog of deferred maintenance (\$1.2 billion) in our regional transportation system which includes roads, culverts, and bridges. As we begin implementing our minimum road analysis and timber harvests are planned on these routes, costs to implement projects will continue to increase. Funding for an annual road maintenance program is needed at a level that will address critical deferred maintenance necessary to support

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both timber and restoration efforts in the long term management of our region. Current levels of CMRD funding are not sufficient to provide minimal, safe access to meet our needs.

*Other BLI Funding Needed:* As shown in the FY16-FY18 budget capability response, the mix of BLIs received in FY15 & FY16 was not consistent with Regional priorities; i.e. significant reductions in NFVW (\$1.8M reduction in FY15, and an additional \$400k reduction in FY16). In order to deliver on Regional priorities and meet program commitments, NFTM supplemented these gaps of NFVW funding. In our previous Capability Response, we proposed to reverse the decrease in NFVW funding, and revert back to a BLI mix similar to what was received in the FY14 budget. The FY17 Budget data call to R6 Forests showed a need of an additional \$3M in NFVW in order to maintain programs at the current level. This data call also showed a need for an additional \$600k NFLM for landline and ROW needs.

*Sale Administration:* Over the past decade the FS has gained multiple authorities to accelerate the pace and scale of restoration across the landscape (e.g., stewardship contracting, DxP, GNA, etc.) which has had an enormous impact on the Agency's ability to increase project implementation. The simultaneous increase of implementation and decrease in appropriated funding, however, has exacerbated the lack of capacity to administer timber sales, stewardship contracts and service work (both vegetation and road work). In addition, the Agency is lacking qualified candidates in important contract administration roles, such as: Contracting Officers, Forest Service Representatives and Timber Sale Administrators. Finally, the Agency is experiencing increased scrutiny by environmental constituents regarding our ability to administer contracts. The Agency has legal obligations to properly administer contracts and the Region continues to recruit and develop capacity through its ongoing Contract Administrator Trainee Program and the newly developed pilot project, the Contract Administrator's Center of Excellence; however, the above highlights the need for increased sustained funding levels, particularly in NFTM and CMRD to ensure the Agency can deliver in both implementation and administrative capacities.