

**STATEMENT OF KEN SALAZAR, SECRETARY OF THE INTERIOR
BEFORE THE SUBCOMMITTEE ON INTERIOR, ENVIRONMENT
AND RELATED AGENCIES,
HOUSE COMMITTEE ON APPROPRIATIONS
ON THE 2014 PRESIDENT'S BUDGET REQUEST**

April 11, 2013

Mr. Chairman and members of the Committee, I am pleased to be here today to present the details of the 2014 budget request for the Department of the Interior. I want to thank the members of this Committee for your support throughout my time as the Secretary of the Interior. We have had a very productive relationship, working collaboratively on the expansion of renewable energy access while protecting the environment. Together, we have reformed offshore oil and gas programs and stood up three new entities to improve operator safety, environmental protection, and revenue collection. You have been advocates for expanding employment and job opportunities for youth and addressing significant challenges in Indian Country. Our partnership efforts have lifted the Department of the Interior, allowing us to recover from program erosion in prior years and increase opportunities to adequately manage land and resources and fulfill commitments that Congress has given us.

We rely on the support of this Committee to recognize the importance of our programs and needs. Although we may not always share the same views, we have been able to accomplish a lot working as partners.

2013 Appropriations

I would be remiss if I did not mention our final 2013 appropriation. I admit we were disappointed. In addition to the sequester of five percent, we sustained significant program reductions, and an additional across the board reduction. The sequester cut \$577 million from our programs and the continuing resolution imposed an additional \$201 million in reductions. These cuts push us back in time to funding levels we last saw in 2006. The final 2013 appropriation reverses much of the progress we have made under our watch.

We will survive these cuts in 2013, by freezing hiring, eliminating seasonal positions, and cutting back on our programs and services. These steps are essential to maintain our core mission to serve the public. However, they are not sustainable, as eroding our workforce, eliminating our summer field season, and deferring other important work cannot continue in future years without further severe consequences to our mission.

I look at the Bureau of Land Management, an agency that has a diverse and challenging set of responsibilities, and I feel a sense of loss about the impacts to their budget. BLM balances its dual missions to protect and conserve natural and cultural resources, oversee and manage the development of energy and minerals, and responsibly manage historic uses of public lands for grazing and timber production, while meeting public demands for wilderness designation and recreation. This agency of nearly 11,000 employees has the enormous responsibility of managing 245 million acres of land and a mineral estate of 700 million acres. BLM oversees 6,000 miles of trails in 14 States, hosts 59 million visitors annually, and oversees the production of 41 percent of the coal produced in this country. BLM's vast estate and complex mission requires balancing work and stretching resources across 17 western states. BLM strives to be a good neighbor. The

continuing resolution combined with the sequester, reduces the BLM operating budget by \$59.8 million or 6.2 percent. This reduction comes now, halfway through the fiscal year and at the start of field season. The outcome of the 2013 appropriation process in sum will stall our efforts to strengthen the management and permitting processes for oil and gas, minerals and coal on public lands; impede our protection and restoration of sage grouse habitat; reduce our partnerships that help to maintain trails and recreation opportunities; and slow the issuance of grazing permits and timber leases. BLM will also become a poor neighbor and poor landlord, because it will be necessary to reduce weed control, the protection of archeological sites, and limit access for hunting and fishing and other recreation.

In the coming months you will see these types of impacts across the country in all of our bureaus and offices. You will also see the impacts on your constituents because of cutbacks in programs and services and because of reduced revenue sharing, grants and contracts. We recently notified State Treasurers that they can expect to receive reduced mineral payments for the balance of the fiscal year and we notified county commissioners that Payments in Lieu of Taxes payments will be reduced.

This is a watershed moment for our Nation. We can't continue to mortgage our future by cutting back on programs that fulfill commitments to the Nation for natural and cultural resource stewardship, energy independence, and upholding our commitments to Indian Tribes. Interior's budget is one percent of discretionary spending – a small slice of the pie. However, cuts to our programs have disproportionate impacts that we cannot continue to erode if we are to keep operations across the country safe and viable. Our Department collects nearly \$13 billion annually through mineral extraction, grazing and timber activities on public lands, and recreation fees – an amount that is more than our discretionary budget. We share nearly \$5 billion of the revenues annually with States, Tribes, counties and others in the form of grants and direct payments. An additional \$2 billion of our budget is used in local communities across the Nation through contracts for goods and services. We are proud to boast that we use over 51 percent of these funds to contract with small businesses. Small businesses are the largest source of new employment in the Nation.

2014 Budget

The final 2013 appropriation is in stark contrast to our 2014 budget. Our 2014 budget represents a blueprint for our mission.

The 2014 budget request of \$11.9 billion includes \$10.9 billion for programs under the jurisdiction of the Interior, Environment and Related Agencies Subcommittee and included in the Interior bill. The budget for current appropriations is \$513.2 million or 5.0 percent above the 2012 level. The request includes reductions and savings of \$600.0 million. We made difficult choices in this budget, sacrificing in many areas, deferring projects, and programming savings for efficiencies in order to maintain funding for key priorities.

It is important to put this budget in context. The context is the complex mission that the Department of the Interior has and how the mission affects the lives of all Americans. Simply put, Interior works to protect America's Great Outdoors (AGO) and power the future. The Department serves as the steward for 20 percent of the Nation's lands, oversees the responsible development of 23 percent of U.S. energy supplies, is the largest supplier and manager of water in the 17 western States, maintains

relationships with 566 federally recognized Tribes, and provides services to more than 1.7 million American Indian and Alaska Native peoples. To continue our commitment to AGO, for the first time ever, the budget dedicates mandatory funding for the Land and Water Conservation Fund (LWCF) programs, with full funding at \$900 million annually beginning in 2015.

Nearly every American lives within an hour's drive of lands or waters managed by the Interior Department. In 2012, there were 483 million visits to Interior-managed lands. Recreational visits to Interior's lands had an economic benefit to local communities, particularly in rural areas, contributing an estimated \$48.7 billion in economic activity in 2011. Through its bureaus, Interior manages 401 units in the national park system, 561 national wildlife refuges, and more than 245 million acres of land in BLM's National System of Public Lands. Interior works to ensure America's spectacular landscapes, unique natural life, cultural resources, and icons endure for future generations. This Department tells and preserves the American story, and maintains the special places that enable the shared American experience.

Interior enables the safe and environmentally responsible development of conventional and renewable energy on public lands and the Outer Continental Shelf. The Department's oil and gas development activities accounted for nearly \$9.7 billion of the roughly \$13.7 billion in receipts generated by Interior's activities in 2012. For the past several years, Interior has targeted investments in America's energy future, particularly to encourage the development of renewable energy on the Nation's public lands and offshore areas where it makes sense. In 2009, there were no commercial solar energy projects on or under development on the public lands. From 2009 through March 2013, Interior authorized 37 renewable energy projects on or through the public lands which, if constructed, will have the potential to produce enough electricity to power more than 3.8 million homes.

Achieving success in all of these important responsibilities on behalf of the American people is the Department's primary focus. The American people deserve nothing less.

Investing in America

Through the America's Great Outdoors initiative, the Administration is working to expand opportunities for recreation and conservation, through partnerships with States and others, and the promotion of America's parks, refuges, and public lands. The benefits extend beyond the conservation of natural resources and engagement of Americans with the outdoors. According to the Outdoor Industry Association, the American outdoor recreation economy provides an estimated 6.1 million jobs, spurs \$646 billion in spending, and brings \$39.9 billion in Federal tax revenue and \$39.7 billion in State and local tax revenue.

The AGO initiative is encouraging innovative partnerships in communities across the Nation, expanding access to rivers and trails, creating wildlife corridors, and promoting conservation while working to protect historic uses of the land including ranching, farming, and forestry. These efforts are based on donations reflecting the support of local communities to protect these areas and create more open space. For example, in 2012, the Department established the Sangre de Cristo Conservation Area, which will conserve a wildlife corridor in the Southern Rockies spanning 170,000 acres. When completed, the easement will represent the largest donation ever to the Fish and Wildlife Service.

In Montana, the Swan Valley Conservation Area connects the Canadian Rockies with the central Rockies of Idaho and Wyoming. The FWS established the Area in partnership with landowners who voluntarily entered their lands into easements. The new Area will protect one of the last low-elevation, coniferous forest ecosystems in western Montana that remains undeveloped and provide habitat for species such as grizzly bears, gray wolves, wolverines, and Canada lynx.

In 2012, the Department established the National Blueways System (NBS) and the National Water Trails System under the AGO initiative. Recognition as a National Blueway for rivers and watersheds of national significance promotes and conserves economic, recreational, and natural values of healthy river systems from source to outlet and across watersheds. The NBS does not impose use limitations or regulatory requirements, but instead through collaborative efforts with others, recognizes and supports existing local and regional conservation, recreation, and restoration efforts by coordinating ongoing Federal, State, and local activities. The 410 mile long Connecticut River and its 7.2 million-acre watershed is the first river to be recognized as a National Blueway, followed by the recent designation of the White River in Arkansas and Missouri.

The new National Water Trails System network will increase access to water-based outdoor recreation in and around urban areas, provide national recognition and resources to existing local water trails, encourage community stewardship of local waterways, and promote tourism that fuels local economies across America. The water trails are a class of national recreational trails under the National Trails Systems Act of 1986. Nine rivers were designated National Water Trails in 2012.

The 2014 budget includes \$5.3 billion in current authority for AGO activities, an increase of \$179.8 million above 2012. Funding is focused on land acquisition programs supported through the Land and Water Conservation Fund as well as land management operations, and other grant and technical assistance programs to promote conservation and improve recreational access. This includes \$120.2 million for river restoration activities by the Bureau of Reclamation, a new addition to our AGO portfolio in 2014.

The AGO request includes \$10.0 million for a revitalized and refocused Urban Parks and Recreation Resource grant program, and \$3.0 million for a Historic Preservation Fund competitive grant program to support projects that help to tell the broader and diverse aspects of America's story.

In addition to this current request, the Administration will submit a legislative proposal to, for the first time ever, establish dedicated mandatory funding for LWCF programs, with full funding at \$900 million annually beginning in 2015. In 2014, this mandatory funding will supplement discretionary funds and provide an additional \$141.0 million for Interior programs, \$88.0 million for Interior's Federal land acquisition, and \$53.0 million for DOI recreational and conservation grants.

The 2014 budget continues a collaborative effort begun last year with the U.S. Forest Service in the Department of Agriculture to focus on the conservation and restoration of large landscapes and working lands, protecting ecosystems and the communities that depend on them. This approach works with partners at the local level to identify landscape areas or ecosystems for collaborative and leveraged conservation investments. Working jointly with the Forest Service, Interior has identified four focal landscape areas for targeted investment of \$169.3 million in 2014.

A Stronger Energy Future

A stronger America depends on a growing economy that creates jobs. No area holds more promise than investments in American energy, with the potential to provide clean, low cost, reliable, and secure energy supplies. Success depends on the Country's ability to pursue an all-of-the-above energy strategy. Interior's energy resource programs are at the forefront of this objective. The 2014 budget includes \$771.6 million for renewable and conventional energy programs, an increase of \$97.5 million above 2012. This includes \$1.1 million for the Bureau of Reclamation to explore how to integrate renewable energy technology into their projects.

Interior oversees onshore production of oil, gas, and coal on over 700 million acres of subsurface mineral estate. The Department estimates the exploration and production of oil, gas, coal, hydropower, and minerals on Federal lands contributed nearly \$275 billion to the U.S. economy in 2011.

Interior continues its effort to expand safe and responsible onshore energy development. In calendar year 2012, the Bureau of Land Management held 31 onshore oil and gas sales and 33 are planned in 2013. The BLM sales resulted in 1,707 parcels of land receiving bids in 2012, 30 percent more than in 2009. Onshore oil and gas leasing reforms put in place in 2010 resulted in fewer protests; less than 18 percent of 2,064 parcels offered in fiscal year 2012 were protested, the lowest since fiscal year 2003, reducing costs and speeding development. In 2014, the Department proposes a total of \$127.1 million in current appropriations and offsetting fees for BLM's oil and gas program, representing an increase of \$23.0 million in program capacity. This includes \$48.0 million in proposed inspection fees, allowing for an increase of \$10.0 million in BLM inspection and enforcement resources, along with a reduction of \$38.0 million in requested appropriations for the program. The proposed onshore inspection fee is similar to the fee now charged to inspect offshore rigs and platforms.

The Department also plays a key role in efforts to strengthen the Nation's electric transmission grid. In 2012, Interior approved permits enabling more than 350 miles of transmission lines in seven states across Federal lands, including the 146 mile Pennsylvania-New Jersey Susquehanna-Roseland transmission line to improve electric service reliability in one of the most congested energy markets in the Country, and the 170 mile Sigurd to Red Butte transmission line in Utah, expected to provide enough energy to power over 400,000 American homes. This project is a key part of PacifiCorps' Energy Gateway Transmission Expansion to add about 2,000 miles of new transmission lines across the West.

Interior has been similarly active in supporting offshore production of oil and gas, while continuing to stress management and oversight reforms identified as a result of the Deepwater Horizon incident. At the end of 2012, more rigs were operating in the Gulf than in the previous two and a half years, equaling the number of rigs in the Gulf before the Deepwater Horizon oil spill. In 2012 alone, BSEE approved 112 new deepwater well permits, higher than in either of the two years preceding the Deepwater Horizon oil spill. At the same time, the Department has implemented safety and environmental management systems regulations; issued a new drilling safety rule to refine safety reforms and strengthen requirements; took steps to hold contractors accountable for their actions offshore; conducted the first full-scale capping stack deployment exercise to respond to a potential future well blowout scenario; and provided new guidance on oil spill response plans.

Interior released a new five-year program for offshore leasing last year, making areas containing an estimated 75 percent of the technically recoverable offshore oil and gas resources available for exploration and development. In March 2013, BOEM held the second Gulf of Mexico sale under the new OCS Plan, drawing 407 bids on 320 tracts covering more than 1.7 million acres offshore Alabama, Louisiana, and Mississippi, with high bids totaling \$1.2 billion. In 2012, BOEM launched an assessment of energy resource potential off the coast of the Mid- and South Atlantic. The same year, Interior oversaw the first new exploratory activity in the Alaskan arctic in a decade, with Shell Oil Company beginning limited preparatory drilling activities in the Chukchi and Beaufort Seas under strict safety and environmental oversight. The 2014 budget includes a legislative proposal to implement an agreement reached in 2012 with the government of Mexico to open up previously off limits transboundary oil and natural gas reservoirs in the Gulf of Mexico. The 2014 budget includes \$478.2 million for conventional offshore oil and gas activities.

Renewable energy, particularly solar and wind power, is a crucial and growing component of the Administration's all-of-the-above energy strategy. Among the significant results achieved for renewable power, since 2009, BLM has authorized more than 11,500 megawatts of energy on public lands and waters, established a road map for responsible solar development in the West designating energy zones, and flipped the switch on the first solar energy project to deliver power to the grid. The BLM also released the Final Environmental Impact Statement for a proposed 750 megawatt facility in Riverside County that would be one of the largest solar energy projects on public lands in the California desert. The BLM is also moving forward on wind energy, with a proposed complex in Wyoming that would generate up to 3,000 megawatts of power, making it the largest wind farm facility in the U.S. and one of the largest in the world. The 2014 budget includes \$29.1 million in BLM for onshore renewable energy programs.

Significant progress has been made to advance offshore wind energy. In 2012, BOEM issued the second non-competitive commercial wind lease off the coast of Delaware, and moved forward with first-ever competitive lease sales for wind energy areas off Virginia and Rhode Island/Massachusetts. These sales involve nearly 278,000 acres proposed for development of wind generation to produce electricity to power as many as 1.4 million homes. The 2014 budget includes \$34.4 million in BOEM for offshore Renewable Energy development.

Spurring Growth and Innovation Through Science

The proposed 2014 budget provides strong support for basic and applied science to support sustainable stewardship of natural resources as part of Interior's mission. The budget requests \$963.1 million for research and development across the Department, which is a \$143.6 million or 18 percent increase over FY 2012. These investments promote economic growth and innovation, ensure American competitiveness in the global market, strengthen natural hazard preparedness and improve the nation's knowledge of the natural resources and environmental capital that are the foundation of our Nation's socio-economic and ecological well-being. Program increases will support the application of science to address critical challenges in energy and mineral production, ecosystem management, invasive species, oil spill restoration, climate adaptation, and Earth observations (such as satellite and airborne land imaging and water and wildlife monitoring). As the Department's premier science agency, the U.S. Geological Survey is funded at \$1.2 billion under the President's proposed budget, an increase of \$98.8 million above the 2012 enacted level. Funding would support

the development of domestic energy, protect critical water resources, respond to natural disasters and advance climate change adaptation strategies.

Interior's mission requires a careful balance between development and conservation. The Department works to achieve this balance by working closely with its diverse stakeholders and partners to ensure its actions provide the greatest benefit to the American people. Central to this mission is the development and use of scientific information to inform decision making. Scientific monitoring, research, and development play a vital role in supporting Interior's missions and Interior maintains a robust science capability in the natural sciences, primarily in the U.S. Geological Survey. An example of how this expertise is applied is the USGS current work as part of an interagency collaboration on hydraulic fracturing, which is aimed at researching and producing decision-ready information and tools on the potential impacts of hydraulic fracturing on the environment, health, and safety, including water quality and inducement of seismic activity. The budget includes \$18.0 million to continue the inter-agency collaboration to investigate the impacts of hydraulic fracturing.

The USGS provides exceptional support to Interior bureaus, however USGS alone cannot provide for all of Interior's scientific needs. The USGS and other Interior bureaus work collaboratively to find answers and to translate and apply scientific information and tools to important natural resource management questions. Science funding at the bureau and office level allows bureaus and offices to collaborate to produce and translate science into management-ready information, providing required resources to purchase studies, models, and expertise, and to hire scientists to help managers interpret the vast body of knowledge generated by USGS, universities, and other scientific institutions. These resources help answer imminent and important natural resource management questions and provide near-term solutions to address urgent and emerging issues such as the white-nose syndrome in bats.

Interior agencies work collaboratively to bridge gaps in knowledge, leveraging the complementary skills and capacity to advance the use of science to support management decision making, ensure independent review of key decisions and science integrity, and adaptively use data to assist States, Tribes, and communities throughout the Nation.

Water for a Growing America

Although the Bureau of Reclamation is within the jurisdiction of the Energy and Water Subcommittee, it plays a critical role in addressing the Nation's water challenges which are of interest the Subcommittee. Reclamation maintains 476 dams and 337 reservoirs with the capacity to store 245 million acre-feet of water. The bureau manages water for agricultural, municipal, and industrial use, and provides recreation for millions of people. Reclamation's activities, including recreation, generate estimated economic benefits of over \$55 billion and support nearly 416,000 jobs.

These facilities deliver water to one in every five western farmers to irrigate about ten million acres of land, and provide water to over 31 million people for municipal and industrial uses and other non-agricultural uses. The water managed by Interior irrigates an estimated 60 percent of the Nation's vegetables each year. Reclamation facilities also reduce flood damages in communities where they are located and thereby create an economic benefit by sparing these communities the cost of rebuilding or replacing property damaged or destroyed by flood events.

Population growth, development, and a changing climate are creating growing challenges to the Nation's water supplies. In many areas of the Country, including the arid West, dwindling water supplies, lengthening droughts, and rising demand for water are forcing communities, stakeholders, and governments to explore new ideas and find new solutions to ensure stable, secure water supplies for the future.

Interior is tackling America's water challenges by providing leadership and assistance to States, Tribes, and local communities to address competing demands for water. Interior's programs are helping communities improve conservation and increase water availability, restore watersheds, and resolve long standing water conflicts. Interior is leading a national water conservation initiative, WaterSMART. The acronym stands for Sustain and Manage America's Resources for Tomorrow. WaterSMART is finding better ways to stretch existing supplies and helping partners plan to meet future water demands.

The USGS is a key partner in Interior's WaterSMART initiative, by contributing research as part of its WaterSMART Availability and Use Assessment effort. The 2014 budget for the USGS includes \$22.5 million for WaterSMART activities.

In 2012, USGS began a three year study of three focus areas in the Delaware River Basin, the Apalachicola–Chattahoochee–Flint River Basin, and the Colorado River Basin. The studies focus on water availability, investigating the components of a regional water budget to understand the amount entering and leaving each basin. This work contributed to The Colorado River Basin Water Supply and Demand Study released by the Department in December 2012, funded by the Bureau of Reclamation and the seven States in the Colorado River Basin. This first of a kind study projects an average imbalance in future water supply and demand greater than 3.2 million acre-feet by 2060. The study projects the largest increase in demand will come from municipal and industrial users, owing to population growth. The Colorado River Basin currently provides water to 40 million people. The study estimates this could double to nearly 76 million people by 2060, under a rapid growth scenario.

Fulfilling the Trust

This Administration has made it a top priority to help bring real and lasting change in Indian Country and to open a new constructive chapter of relations with Native Americans. The Administration has a comprehensive agenda to reform, repair, and rebuild Federal relations with Indian Country to ensure American Indians and Alaska Natives are offered the opportunities they deserve. This means respecting the inherent sovereignty of tribal nations and making sure the Federal government is honoring its commitments, fulfilling its trust responsibilities to tribal nations and individuals, providing resources, working cooperatively to build stronger economies and safer communities, and providing high quality education opportunities for Indian youth at schools funded by the Bureau of Indian Education.

Interior has worked diligently to restore tribal homelands. Since 2009, Interior has acquired more than 190,000 acres of land into trust and processed over 1,000 requests for land acquisitions that will allow for economic development, natural resource infrastructure, and health and housing projects to move forward as determined by the Tribes. The Secretarial appointed National Commission on Indian Trust Administration and Reform will help further these efforts as it undertakes a forward-looking, comprehensive evaluation of the Department's trust management.

One of the most significant recent developments regarding Interior's trust responsibilities was passage of the Claims Resolution Act of 2010, which ratified the \$3.4 billion Cobell settlement agreement and four tribal water rights settlements. The Cobell settlement became final on November 24, 2012, following action by the U.S. Supreme Court and expiration of the appeal period.

Interior has launched implementation of a \$1.9 billion Indian Land Buy-Back Program, authorized in the legislation, to purchase fractionated interests in trust or restricted land from willing Individual Indian Account holders at fair market value within a ten year period. The program enables tribal governments to use consolidated parcels for the benefit of their communities. Interior will administer the program by securing the Department's extensive expertise and services, primarily in BIA and the Office of Special Trustee for American Indians, to implement the operational aspects, including valuations and acquisitions. As an added incentive to willing sellers, the Indian Land Buy-Back Program will fund up to \$60.0 million for a scholarship fund for American Indian and Alaska Native students.

The entire program will be based on consultation with and participation of Tribes. Building on the Cobell settlement, the Administration has engaged Tribes in Nation-to-Nation negotiations on 59 additional settlements leading to over \$1.1 billion in settlements to resolve long standing trust accounting and trust management claims.

Interior has also taken another step to give Tribes and individual Indians greater control over their own lands with the finalization of the most sweeping reform of Federal surface leasing regulations in more than 50 years. The new regulations remove bureaucratic red tape and streamline the approval for home ownership, expedite economic development, and spur renewable energy. As a result, individuals and Tribes will have the ability to do fundamental things on tribal lands, like buy a home or build a business.

The 2014 budget proposes an interim solution in the way in which funds are budgeted for contract support costs, which are important to the furtherance of self-governance and Indian self-determination. The 1975 Indian Self-Determination and Education Assistance Act, as amended, allows Tribes to implement programs previously administered by the Federal government through contractual arrangements. In turn, the Department pays tribal contractors for reasonable costs associated with the administration of those programs, known as contract support costs. Contract support costs funds are used by tribal contractors to pay a wide range of administrative and management costs, including but not limited to finance, personnel, maintenance, insurance, utilities, audits, communications, and vehicle costs. These funds allow Tribes to manage the Federal programs for which they contract, as well as eliminate the need for Tribes to use program funds to fulfill administrative requirements. The 2014 request for these costs is \$231.0 million, an increase of \$9.8 million above the 2012 enacted level.

In light of the Supreme Court's *Salazar v. Ramah Navajo Chapter* decision, the Administration is proposing Congress appropriate contract support costs funding to Tribes on a contract-by-contract basis. To ensure as much clarity as possible regarding the level of contract support costs funding, the Administration will provide Congress a contract-by-contract funding table for incorporation into the appropriations act. The Administration proposes this change as an interim step. The broader

goal is to develop a longer-term solution through consultation with the Tribes, as well as streamline and simplify the contract support costs process which is considered by many as overly complex and cumbersome to both Tribes and the Federal government.

Another area of emphasis reflected in the 2014 budget is a commitment to resolve tribal water rights claims and ensure Native American communities have access to use and manage water to meet domestic, economic, cultural, and ecological needs. Including funding for technical and legal support and for authorized settlements involving tribal waters, the 2014 budget request totals \$159.6 million, which is an increase of \$25.9 million over 2012. This includes a total of \$135.3 million within the Bureaus of Reclamation and Indian Affairs to implement water rights settlements, an increase of \$20.4 million above 2012. For communities benefiting from these settlements, a permanent water supply will vastly improve their quality of life and will offer greater economic security immediately as well as into the future.

To strengthen the Department's capacity to meet its trust responsibilities and more effectively partner with Tribes on water issues, \$3.4 million in increases are provided in BIA's budget to support Water Management and Planning, Water Rights Litigation, and to conduct a comprehensive Department-wide evaluation to strengthen engagement, management, and analytical capabilities of the Indian Water Rights Office and other bureaus and offices that work on these issues. An increase of \$766,000 in Reclamation's Native American Affairs Program and \$1.0 million in the Cooperative Water Program at USGS will also strengthen technical analysis in support of water rights settlement work.

Interior is working to improve other areas of services in Indian Country. In education, Interior is working with the Department of Education to develop a national education reform agenda to better serve Indian children in BIE schools. The two agencies signed an agreement to bolster cooperation and coordination. The budget includes \$15.0 million to fund an elementary and secondary school pilot program based on the successful Department of Education turnaround schools model and concepts. Grants will be awarded to BIE-funded schools demonstrating the greatest need for the funds and the strongest commitment for using the funds to substantially raise the achievement of students.

Interior is putting more law enforcement officers in Indian communities, and improving training and equipment. Interior's revamped recruiting process for BIA law enforcement officers has increased the number of applicants for those positions by 500 percent, resulting in the largest officer hiring increase in BIA history. A pilot program of intense community policing on four reservations experiencing high crime rates saw promising results, a combined reduction of violent crime of 35 percent after the first 24 months. Now, 12 months later, crime continues to drop for a new combined reduction of 55 percent. Interior has expanded this successful pilot program to two additional reservations. The 2014 budget of \$2.6 billion includes \$365.3 million for BIA's Public Safety and Justice programs, an increase of \$19.0 million.

Interior's Budget In Context

This budget continues funding for important programs that will protect the Nation's significant natural resources and cultural heritage, makes strategic investments in energy development, advances partnerships to leverage resources, and seeks improved outcomes for Indian communities.

These are key concepts, given the fiscal challenges we face and the policy choices you will face over the coming months as the House and Senate debate the 2014 budgets. A key consideration is the need to invest in programs that provide a strong economic return. Interior's programs and activities contributed an estimated \$385 billion to the Nation's economy in 2011 and supported an estimated 2.4 million American jobs. Energy and mineral development on Interior-managed lands and offshore areas generated more than \$275 billion of this economic activity and supported 1.5 million jobs. Recreation and tourism on Interior lands contributed \$48.7 billion and supported nearly 403,000 jobs. This economic output represents about 6.5 percent of the direct output of tourism-related personal consumption expenditures for the United States in 2011 and about 7.6 percent of direct tourism-related employment. Water supply, forage and timber activities, primarily on public lands in the West, contributed nearly \$41 billion and 290,000 jobs.

Fiscal Responsibility

This budget recognizes the need for fiscal responsibility. The priority programs that are level funded with 2012 and limited strategic investments proposed in 2014 are balanced by reductions in lower priority programs, deferrals and planning efficiencies.

Balancing Difficult Choices – Interior made its 2014 budget decisions in the context of the challenging fiscal environment. The 2014 budget of \$10.9 billion, eliminates and reduces lower priority programs, reduces duplication, streamlines operations, and captures savings. The 2014 request is \$513.2 million or a 5.0 percent increase compared with the 2012 enacted level.

The total 2014 budget contains \$600.0 million in program terminations, reductions, and savings from administrative efficiencies. Staffing reductions of 593 from 2012, are planned for 2014. Thus, despite increased resources needed for programs and services, Interior will continue to improve efficiency and reduce its workforce. These personnel reductions are focused on areas where there are funding reductions. Staffing reductions will be achieved through attrition, outplacement, and buy-outs in order to minimize the need to conduct reductions in force to the greatest extent possible.

This budget is responsible, with strategic investments in a few, targeted areas, and maintains the core functions that are vital to uphold stewardship responsibilities and sustain key initiatives. The budget also continues efforts to shift program costs to industry where appropriate. Permanent funding that becomes available as a result of existing legislation without further action by the Congress results in an additional \$6.3 billion, for \$18.3 billion in total budget authority for Interior in 2014.

Major Changes in the 2014 Request

Bureau of Land Management – The 2014 request is \$1.2 billion, an increase of \$32.6 million over the 2012 enacted budget. This includes an increase of \$23.5 million for BLM's two operating accounts, an increase of \$10.3 million in BLM's request for current appropriations for Land Acquisition, and a reduction of \$3.6 million that eliminates the Construction account.

To advance the America's Great Outdoors initiative, the request includes \$8.0 million in programmatic increases for recreation and the National Landscape Conservation System to improve opportunities for recreation, education, and scientific activities while enhancing the conservation and protection of BLM-managed lands and resources. An additional \$1.1 million will support

interagency AGO projects to demonstrate ecosystem and landscape-scale conservation.

The BLM will continue to promote and facilitate the development of renewable energy on public lands, as part of the New Energy Frontier initiative. The 2014 budget includes a program increase of \$9.1 million for renewable energy to support wind, solar, and geothermal energy, consisting of \$7.1 million in new funding and a \$2.0 million transfer of geothermal funds previously included within the Oil and Gas Management program. An additional \$13.0 million in program increases is requested to strengthen management of the oil and gas program. These increases are offset by a proposal to shift the cost of oil and gas inspection and enforcement activity from current appropriations to inspection fees charged to industry, allowing for a reduction of \$38.0 million in requested appropriations. The proposed inspection fees are estimated to generate \$48.0 million, providing for a net \$10.0 million increase in BLM's inspection and enforcement capability. There is an additional \$6.0 million increase requested in the Lands and Realty Management program to support identification and designation of energy corridors in low conflict areas and site high voltage transmission lines, substations, and related infrastructure in an environmentally sensitive manner.

The 2014 budget features a \$15.0 million increase to implement sage grouse conservation and restoration measures to help prevent the future listing of the species for protection under the Endangered Species Act.

The BLM funding for the Cooperative Landscape Conservation initiative increases by \$3.3 million. This includes \$2.5 million to support an integrated collaborative climate change adaptation effort to effectively plan for and respond to the impacts of climate change. An increase of \$776,000 in Soil, Water, and Air Management will implement programs to improve the use of Rapid Ecoregional Assessments. The budget request also includes an increased investment of \$2.8 million in the Youth in the Great Outdoors initiative.

Other program increases in the BLM budget include \$3.5 million in the Oregon and California Grant Lands account to support the Secretary's Western Oregon Strategy, \$2.0 million to implement reforms of the Wild Horse and Burro program, \$4.0 million in the Resource Management Planning program to support high priority planning efforts, \$2.5 million in the Soil, Water, and Air Management program for applied science projects aimed at improving BLM understanding and management of public lands, \$1.0 million in the Riparian Management program for increased science in support of program activities, and \$500,000 for activities related to the Klamath Agreements authorized under existing law. The budget includes increases of \$2.4 million and \$2.0 million, respectively, in the Coal Management and Other Mineral Resources programs to restore recent reductions in these programs. An \$8.2 million program increase is requested in the Bureau-wide Fixed Cost program to cover costs previously funded through program assessments. The budget includes a \$1.3 million increase in Deferred Maintenance to support land mobile radio improvements and a \$1.0 million increase in Administrative Support to fund the startup costs for a new congressionally-chartered charitable, non-profit foundation, the National BLM Foundation.

A \$14.1 million program decrease is proposed for grazing permit renewal and monitoring in the Rangeland Management program. However, the impact of this decrease will be mitigated by a new grazing administration fee of \$1.00 per animal unit month proposed on a pilot basis through appropriations language, estimated to raise \$6.5 million in 2014. The 2014 budget reduces programmatic funding for the Alaska Conveyance program by \$12.3 million from the 2012 level.

The BLM will explore opportunities to further streamline the program. The impact of this funding reduction will be further mitigated by a legislative proposal to use a portion of oil and gas revenues from the National Petroleum Reserve-Alaska to fund land transfers in support of the Alaska Conveyance program. The budget also includes a reduction of \$2.1 million in Information Technology Management.

Bureau of Ocean Energy Management – The 2014 operating request is \$169.4 million, including \$71.5 million in current appropriations and \$97.9 million in offsetting collections. This is an increase of \$11.9 million in net current appropriations above the 2012 enacted level.

The 2014 budget request includes program changes of \$5.8 million above the 2012 enacted level to promote offshore conventional energy development that is safe and environmentally responsible. The request includes an increase of \$1.3 million to support offshore renewable energy lease auctions. The request also includes an increase of \$3.0 million for conventional energy development activities to develop baseline characterization and monitoring capabilities in the Gulf of Mexico, support the acquisition and processing of geophysical and geological data for the Atlantic OCS, and advance the use of technology to support the review of development plans. The budget requests funding to be partially offset by fees to support the leasing of marine minerals such as sand and gravel needed to enhance the resiliency of coastal areas amid rising sea levels.

Bureau of Safety and Environmental Enforcement – The 2014 budget request is \$222.1 million, including \$98.2 million in current appropriations and \$124.0 million in offsetting collections. This is a total increase of \$24.8 million above the 2012 enacted level.

The 2014 budget includes an increase of \$4.2 million for environmental enforcement activities to foster environmental compliance, and support inspection, investigation, and enforcement activities. The request also includes an increase of \$14.2 million to increase operational safety capabilities, develop the National Offshore Training program for inspectors and engineers, and conduct research and development activities on critical safety systems associated with offshore oil and gas development. Funding is also requested to ensure the safety of oil and gas development in Alaskan waters and to enhance the use of technology in the Bureau's offshore inspection program.

Office of Surface Mining – The 2014 budget request for the Office of Surface Mining is \$143.1 million, a decrease of \$7.1 million from the 2012 enacted level. This includes a decrease of \$10.9 million in grants to States and Tribes to encourage these regulatory programs to recover a larger portion of their costs from fees charged to the coal industry, and an increase of \$4.0 million to provide additional technical support to State and tribal regulatory programs. The budget also includes increases for applied science to advance reclamation technologies. This request also proposes to finalize the transition of abandoned mine land reclamation from current to permanent funding.

U. S. Geological Survey – The USGS budget request is \$1.2 billion, \$98.8 million above the 2012 enacted level. The President's budget reflects the Administration's commitment to investments in research and development to support sound decision making and sustainable stewardship of natural resources. This includes science, monitoring, and assessment activities critical to understand and manage the ecological, mineral, energy, and water resources which underlie the prosperity and well-being of the Nation. Highlights of the budget include increases for science priorities in ecosystem

restoration, climate adaptation, invasive species, and earth observations, including streamgages, light detection and ranging, and managing critical data. The budget provides increased support to enhance sustainable energy development, address water resources challenges, and enhance America's Great Outdoors through the 21st Century Conservation Service Corps Youth initiative.

The USGS budget includes investments in important science programs to help meet societal needs. A program increase of \$14.5 million above 2012 for WaterSMART will be used to develop regional water availability models, integrate and disseminate data through online science platforms, and support the National Groundwater Monitoring Network. A program increase of \$7.2 million for the National Streamflow Information Program will fund more than 400 streamgages to strengthen the Federal backbone at high priority sites sensitive to drought, flooding, and potential climate change effects.

A program increase totaling \$10.0 million above 2012 for the National Climate Change and Wildlife Science Center/Department of the Interior Climate Science Centers includes an increase of \$3.5 million for grants focused on translational and applied science needed by resource managers for decision making. An increase of \$3.2 million will support coordination with other Federal climate science activities and ensure scientific results and products are made available to the public in a centralized, web-accessed format. An increase of \$2.5 million will support applied science and capacity-building for tribal climate adaptation needs in each of the eight CSC regions. A program increase of \$3.0 million above 2012 will enable completion of the national biological carbon sequestration assessment and development of tools in collaboration with other agencies to support biological sequestration activities on public lands.

The 2014 budget also provides a program increase of \$11.0 million above 2012 for the 3-Dimensional Elevation Program to collect LIDAR data, used for a wide range of applications in mapping, agriculture, planning, and natural resources management. Data collection will be coordinated with other agencies to implement a national LIDAR program to enhance science and emergency response activities, resource and vulnerability assessments, ecosystem based management, and tools to inform policy and management.

The budget includes a program increase of \$13.0 million above 2012 to support the continuation of a hydraulic fracturing research and development effort with the Department of Energy and Environmental Protection Agency, to better understand and minimize potential environmental, health, and safety impacts of energy development involving hydraulic fracturing. New work will address issues such as water quality and quantity, ecosystem, community, and human health impacts, and induced seismicity. A program increase of \$4.0 million above 2012 is also provided for science to support ecologically sound and sustainable development of renewable energy on Federal lands.

The 2014 budget includes a program increase of \$9.0 million in Core Science Systems for the Big Earth Data initiative. This interagency initiative will improve access to and use of data from the satellite, airborne, terrestrial, and ocean-based Earth observing systems. These investments will provide benefits in natural resource management and hazard mitigation, by improving access to critical information.

Program increases totaling \$15.5 million above 2012 in ecosystems activities will support a wide range of science, including ecosystems restoration work in the Chesapeake Bay, California Bay-Delta, Columbia River, Everglades, Puget Sound, Great Lakes, Upper Mississippi River, Gulf Coast, and Klamath Basin. Within this total, \$3.0 million will support the science and integration of ecosystems services frameworks into decision making and implementation of efforts to assess and sustain the Nation's environmental capital. A program increase of \$2.4 million will address invasive species such as Asian carp, brown tree snakes, white-nose syndrome in bats, coral reef health, and other emerging invasives of national concern.

A program increase of \$2.5 million above 2012 is requested to improve rapid response to natural disasters. Funding will improve the Federal government's capacity to provide timely and effective science and information to minimize potential risks posed by natural hazards. Funding will be invested in USGS monitoring networks for rapid response to earthquakes, volcanoes, landslides, tsunamis, floods, hurricanes, and other potential threats to people, infrastructure, and ecosystems.

Fish and Wildlife Service – The 2014 Fish and Wildlife Service budget includes \$1.6 billion in current appropriations, an increase of \$76.4 million above the 2012 level. This includes America's Great Outdoors initiative related increases of \$68.9 million in the Resource Management account. There is a \$3.9 million increase in the FWS North American Wetlands Conservation grants program. In 2014, funding for State and Tribal Grants remains at the 2012 level of \$61.3 million. The budget also includes \$1.2 billion available under permanent appropriations, most of which will be provided directly to States for fish and wildlife restoration and conservation.

In 2014, a total of \$1.6 billion is proposed for FWS as part of the Administration's America's Great Outdoors initiative to help reconnect people with the Nation's vast natural resources. This includes \$1.3 billion for operations, an increase of \$68.9 million over the 2012 level. As part of this initiative, the request includes a program increase of \$3.3 million to coordinate a landscape level conservation approach to river systems throughout the Country as part of the National Blueways System, a Department-wide initiative.

The 2014 budget also includes increases for programs funded through the Land and Water Conservation Fund. The 2014 budget proposal includes \$106.3 million for Federal land acquisition, of which \$70.8 million, a program increase of \$12.6 million, is in current funding and \$35.5 million is in new permanent funding. In addition, the budget proposes a total of \$84 million for the Cooperative Endangered Species Conservation Fund, of which \$8.3 million is a program increase in current funding and \$28.0 million is part of the LWCF permanent funding proposal. The 2014 Federal Land Acquisition program builds on efforts to strategically invest in interagency landscape-scale conservation projects while continuing to meet agency-specific programmatic needs.

The budget proposes an increase of \$7.2 million for activities associated with renewable energy development. The request supports scientific research into the impacts of energy transmission and development infrastructure on wildlife and habitat. The research will identify potential impacts associated with the development of energy infrastructure and strategies to minimize the impacts on habitat and species, including desert tortoise and sage grouse. This increase will enable FWS to participate more fully in priority landscape level planning and assist industry and State fish and wildlife agencies as they plan for the siting of renewable energy projects and transmission corridor infrastructure.

The budget request for the Resource Management account continues support for key programs including \$185.4 for Endangered Species, a program increase of \$7.6 million; \$499.2 million for the National Wildlife Refuge System, a program increase of \$12.7 million; \$68.3 million for Law Enforcement, a program increase of \$5.3 million; \$33.3 million for Science Support, a program increase of \$16.5 million; \$14.5 million for Aquatic Invasive Species, a program increase of \$5.5 million; and \$17.6 million for Cooperative Landscape Conservation, a program increase of \$6.7 million.

The 2014 budget request continues the FWS commitment to ecosystem restoration by including \$89.2 million composed of \$16.0 million for the Everglades; \$4.9 million to maintain 2012 funding for California's Bay-Delta; \$10.2 million to maintain 2012 funding for the Gulf Coast; \$10.3 million for the Chesapeake Bay; and \$47.8 million for the Great Lakes.

Funding for the Cooperative Landscape Conservation activity is \$17.6 million, an increase of \$2.1 million, and funding for Science Support is \$33.3 million, an increase of \$16.6 million. The budget supports applied science directed at high impact questions to mitigate threats to fish and wildlife resources.

The 2014 budget proposes a reduction of \$14.0 million for National Wildlife Refuge Fund payments to counties to offset local tax loss due to Federal land ownership. An estimated \$8.0 million in permanent receipts collected and allocated under the program would remain available to counties for this purpose. The budget also reduces funding for construction by \$7.5 million.

National Park Service – The 2014 budget request for NPS of \$2.6 billion is \$56.6 million above the 2012 enacted level. In 2014, a total of \$2.5 billion is requested for NPS as part of the America's Great Outdoors initiative. This includes \$2.3 billion for park operations, as represented by the Operation of the National Park System account, which is a total increase of \$48.4 million over 2012. The 2014 request for operations funds fixed costs of \$28.9 million and a net program increase of \$19.5 million for NPS operations. Among the increases in operations is \$6.0 million for Cooperative Landscape Conservation, \$5.2 million to control invasive and exotic species at parks, \$5.0 million to competitively fund the highest priority, non-recurring natural resource project needs at park units, \$3.0 million to address white-nose syndrome in bats at parks, \$2.1 million to fund resource and science needs at new park units, and \$1.0 million for Youth funding to engage youth in the great outdoors through employment and educational opportunities.

The request for the Historic Preservation Fund is \$58.9 million, a programmatic increase of \$3.0 million compared to 2012 enacted. Grants-in-aid to States and Tribes are continued at the 2012 level and \$3.0 million is provided for competitive grants targeted toward communities that are currently underrepresented on the National Register of Historic Places. Within the National Recreation and Preservation account, there are two programs tracked as part of the AGO initiative. Funding for the Rivers, Trails, and Conservation Assistance program is \$10.1 million, essentially level with 2012, and funding for the American Battlefield Protection Program assistance grants is essentially level with 2012 at \$1.4 million.

Programs funded out of the Land and Water Conservation Fund are also a key component of the Administration's AGO strategy. The budget requests \$100.4 million for the Land Acquisition and

State Assistance account, a net decrease of \$1.5 million. This includes \$40.0 million for the State Conservation Grants program, a \$5.2 million programmatic decrease, plus \$60.4 million for NPS Federal land acquisition, a programmatic increase of \$3.4 million. Of this amount, \$12.1 million is for Federal acquisition projects at park units selected as part of a collaborative process with other Interior bureaus and the Forest Service, and \$20.4 million is for projects to address core, NPS-specific mission priorities. The budget includes \$10.0 million to revitalize the Urban Parks Recreation and Recovery program. In addition to this current request, the Administration will submit a legislative proposal to permanently authorize annual funding, without further appropriation or fiscal year limitation, for the LWCF. This will provide an additional \$30.2 million for Federal land acquisition, \$20.0 million for the State Conservation Grants program, and \$5.0 million for UPARR grants in permanent funding in 2014.

Other funding includes a total of \$52.0 million for the National Recreation and Preservation account. This reflects a programmatic reduction of \$8.4 million from Heritage Partnership programs to encourage self-sufficiency for these non-Federal organizations. Funding for Construction totals \$160.0 million, a total increase of \$4.6 million. Of this amount, programmatic changes include an increase of \$5.3 million for line-item construction projects. Programmatic reductions include of \$1.8 million from construction program management and operations, \$760,000 from the housing improvement program, \$228,000 from equipment replacement, \$440,000 from construction planning, and \$2.4 million from management planning.

Indian Affairs – The 2014 budget includes \$2.6 billion for Indian Affairs programs, an increase of \$31.3 million from the 2012 enacted level. This includes increases of \$37.2 million for Operation of Indian Programs, excluding a proposed transfer of Contract Support Costs to a stand alone account. The budget also includes \$2.9 million in Indian Land and Water Claim Settlements. The budget includes decreases of \$16.5 million in the Construction account and \$2.1 million in the Indian Guaranteed Loan program.

The budget proposes program increases of \$37.3 million for the Trust land management programs and \$7.7 million in real estate services to assist Tribes in the management, development, and protection of Indian trust land and natural resources. Additional funding is provided for science and technical support to Tribes for the sustainable stewardship and development of natural resources. The funding will support resource management and decision making in the areas of energy and minerals, climate, oceans, water rights protection, endangered and invasive species, and resource protection enforcement. Of this funding, \$2.5 million will focus on projects that engage youth in the natural sciences and establish an office to coordinate youth programs across Indian Affairs. The budget also includes \$7.0 million, an increase of \$5.5 million, for the Klamath land purchase agreement.

In 2014, Contract Support Costs and the Indian Self-Determination Fund increase by \$9.8 million for a total of \$231.0 million for new and existing tribal 638 contracts. In response to the Supreme Court decision on contract support costs, the 2014 budget proposes to move both budget line items to an account separate from the Operations account.

Public Safety and Justice funding has a program increase of \$17.4 million to support additional law enforcement and officers, detention corrections staff, resource protection officers, and tribal court operations. The budget also includes \$3.0 million to address the needs of Indian communities with

elevated levels of domestic violence. The BIA Human Services program will partner with the Law Enforcement program to expand services to help stem domestic violence and care for its victims.

The budget supports student academic achievement in BIE funded schools by initiating a \$15.0 million pilot program to turn around lower performing elementary and secondary schools, provides \$2.5 million in increased funding to meet the needs of growing enrollment at tribal colleges, and boosts funding for scholarships by \$3.0 million for post-graduate fellowship and training opportunities in the natural sciences.

The budget proposes to initiate payments for the Taos Pueblo Indian Water Rights Settlement enacted as part of the Claims Resolution Act of 2010. Funding for the Nez Perce/Snake River settlement was completed in 2013.

The budget proposes to eliminate the \$12.6 million Housing Improvement Program. The \$650.0 million Housing and Urban Development Native American Housing Block Grant serves the same population as HIP. Tribes who receive HUD funding are not precluded from using HUD funding to provide assistance to HIP applicants.

The 2014 request reflects a reduction of \$19.7 million as the Bureau will undergo a consolidation in 2013 to streamline and improve oversight operations. The BIA will engage in extensive consultation with Tribes to identify strategies to ensure tribal needs and priorities are addressed. Following consultation, Indian Affairs will construct an implementation plan for a streamlined, cost-effective organization. The budget also includes \$13.8 million in administrative savings from reductions to fleet, travel, contractors, and awards.

Departmental Offices and Department-wide Programs – The 2014 request for the Office of the Secretary is \$268.9 million, an increase of \$7.0 million from the 2012 enacted level. Of this, \$121.1 million is for the Office of Natural Resources Revenue programs, an increase of \$1.6 million above the 2012 enacted level and includes a program decrease of \$380,000 in production verification and meter inspections and \$653,000 in program efficiencies. The budget proposes an increase of \$267,000 for minerals receipts modeling development to improve revenue estimation and reporting capabilities, and an increase of \$800,000 for various science initiatives. Other changes include the proposed transfer of the Indian Arts and Crafts Board from the Office of the Secretary to the Bureau of Indian Affairs of \$1.3 million, a program decrease of \$563,000 to valuation services, and a general reduction of \$86,000.

The budget request for the Office of Insular Affairs is \$92.0 million, a decrease of \$12.3 million from the 2012 enacted level. The budget includes an increase of \$766,000 to enhance the implementation of sustainable energy projects and \$3.7 million for general technical assistance. The budget also includes \$3.0 million, a reduction of \$2.0 million, to help mitigate the impacts and costs of Compact migration. Funding of \$13.1 million for the Palau Compact Extension is not requested for 2014 as it is expected the Compact will be authorized and funded in 2013.

The Office of Inspector General request is \$50.8 million, a program increase of \$984,000. Within this total, a program increase of \$840,000 is for mission support, consisting of a \$2.0 million increase for D.C. area office consolidation and a reduction of \$1.2 million associated with administrative efficiencies.

The Office of the Special Trustee request is \$139.7 million, \$12.4 million below the 2012 enacted level. The 2014 budget decreases Executive Direction funding by \$3.0 million and Program Operations and Support by \$9.4 million. Within the total are program decreases of \$7.0 million from Historical Trust Accounting and \$3.8 million is from Trust Accountability. Proposed funding for OST supports the Department's Indian fiduciary trust responsibilities.

The 2014 request for the Department-wide Wildland Fire Management program is \$776.9 million. The net program increase of \$194.2 million includes program increases of \$205.1 million split between the Suppression Operations account and the FLAME Fund to fully fund the 10-year suppression average, and \$3.0 million increase for the Burned Area Rehabilitation program. These program increases are partially offset by a net program reduction of \$88.9 million in the Hazardous Fuels Reduction program. This net reduction includes an increase of \$2.0 million to conduct a research study on the cost and resource effectiveness of hazardous fuels treatments. The 2014 request for the Wildland Fire Management account also includes a cancellation of \$7.0 million in prior-year balances.

The 2014 request for the Natural Resource Damage Assessment and Restoration Fund is \$12.5 million, a net program increase of \$6.1 million. The increase includes \$3.6 million to support additional restoration work and \$2.2 million for a Department-wide onshore Oil Spill Preparedness plan.

The Department's 2014 request for the Working Capital Fund appropriation is \$62.0 million, an increase of \$80,000 from the 2012 enacted level. Within this request is \$58.0 million for the Financial and Business Management System to complete the deployment of the last bureau, Reclamation. The budget proposes an increase of \$2.0 million to initiate the Department's Cultural and Scientific Collections Management initiative. Reductions include \$5.0 million for the proposed transition of the Department's Information Technology Transformation Initiative from appropriated WCF to the WCF centralized bill, \$2.5 million for the completion of the Department's Acquisition Improvement initiative in 2012, and a decrease of \$496,000 from the Service First/Consolidations initiative.

Mandatory Proposals

The 2014 budget includes 17 mandatory proposals that will be submitted to the Congress to collect a fair return to the American taxpayer for the sale of Federal resources, to reduce unnecessary spending, and to extend beneficial authorities of law. Revenue and savings proposals will generate more than \$3.7 billion over the next decade. The 2014 budget also includes three mandatory spending proposals estimated at \$8.1 billion in outlays over the next decade.

Land and Water Conservation Fund – The Department of the Interior will submit a legislative proposal to permanently authorize annual funding, without further appropriation or fiscal year limitation, for LWCF programs in the Departments of the Interior and Agriculture. During a transition to permanent funding in 2014, the budget proposes \$600.0 million in total LWCF programs funding, comprised of \$200.0 million permanent and \$400.0 million current funding. Starting in 2015, the fully authorized level of \$900.0 million in permanent funds will be authorized each year.

Payments in Lieu of Taxes – The authorization for permanent PILT payments was extended through 2013 as part of the Surface Transportation Extension Act of 2012. The 2014 budget proposes to extend authorization of the program an additional year through 2014, while a sustainable long-term funding solution is developed for the PILT Program. This proposal is estimated to outlay nearly \$410 million in 2014. The PILT payments help local governments carry out vital services, such as firefighting and police protection, construction of public schools and roads, and search and rescue operations. The payments are made annually for tax exempt Federal lands administered by the Department, including BLM, FWS, NPS, as well as the Forest Service, Federal water projects, and some military installations. The proposal utilizes the current PILT payment formula, which is based on population, receipt sharing payments, and the amount of Federal land within an affected county.

Palau Compact – On September 3, 2010, the U.S. and the Republic of Palau successfully concluded the review of the Compact of Free Association and signed a 15-year agreement that includes a package of assistance through 2024. Under the agreement, Palau committed to undertake economic, legislative, financial, and management reforms. The conclusion of the agreement reaffirms the close partnership between the U.S. and the Republic of Palau to strengthen the foundation for economic development in Palau by developing public infrastructure and improving health care and education. Compact funding will also undertake one or more infrastructure projects designed to support Palau's economic development efforts. The Republic of Palau has a strong track record of supporting the U.S. and its location is strategically linked to Guam and U.S. operations in Kwajalein Atoll. Permanent and indefinite funding for the Compact expired at the end of 2009. The 2014 budget assumes authorization of permanent funding for the Compact occurs in 2013. The cost for this proposal is estimated at \$189 million over the 2014 through 2023 period.

Federal Oil and Gas Reforms – The budget includes a package of legislative reforms to bolster and backstop administrative actions being taken to reform the management of Interior's onshore and offshore oil and gas programs, with a key focus on improving the return to taxpayers from the sale of these Federal resources. Proposed statutory and administrative changes fall into three general categories: 1) advancing royalty reforms, 2) encouraging diligent development of oil and gas leases, and 3) improving revenue collection processes. Royalty reforms include: evaluating minimum royalty rates for oil, gas, and similar products; adjusting onshore oil and gas royalty rates; analyzing a price-based tiered royalty rate; and repealing legislatively-mandated royalty relief for deep gas wells. Diligent development requirements include shorter primary lease terms, stricter enforcement of lease terms, and monetary incentives to get leases into production. Revenue collection improvements include simplification of the royalty valuation process, elimination of interest accruals on company overpayments of royalties, and permanent repeal of Interior's authority to accept in-kind royalty payments. Collectively, these reforms will generate roughly \$2.5 billion in net revenue to the Treasury over ten years, of which about \$1.7 billion would result from statutory changes. Many States will also benefit from higher Federal revenue sharing payments.

Helium Sales, Operations and Deposits – The Department will submit a legislative proposal to authorize the Helium Fund to continue activities supporting the sale of helium. Under the Helium Privatization Act of 1996, the Helium Fund is set to expire upon repayment of the helium debt, anticipated to occur the first quarter of 2014. This proposal will allow continued operation of the Helium program while facilitating a gradual exit from the helium market. To minimize impacts to the helium market, the proposal will gradually increase the sales price of helium while reducing the

total volume of helium sold each year, until the amount in storage reaches 3 billion standard cubic feet. At that point, the remaining helium will be reserved for Federal users. The proposal would enable the sale of helium and related products and deposits of net proceeds to the Treasury. Additional revenues from this proposal are estimated at \$480 million over the decade.

Transboundary Gulf of Mexico Agreement – The 2014 budget includes a legislative proposal to implement the Agreement between the U.S. and the United Mexican States Concerning Transboundary Hydrocarbon Reservoirs in the Gulf of Mexico, signed by representatives of the U.S. and Mexico on February 20, 2012. The Agreement establishes a framework for the cooperative exploration and development of hydrocarbon resources that cross the United States-Mexico maritime boundary in the Gulf of Mexico. The Agreement would also end the moratorium on development along the boundary in the Western Gap in the Gulf. The Agreement provides access to an area along the U.S.-Mexico boundary in the Gulf of Mexico roughly the size of Delaware, for exploration and production activities. The area is estimated to contain up to 172 million barrels of oil and 304 billion cubic feet of natural gas. The budget assumes bonus bid revenues from lease sales in this area will generate an estimated \$50 million for the Treasury in 2014.

Return Coal Abandoned Mine Land Reclamation Fees to Historic Levels – The budget proposes legislation to modify the 2006 amendments to the Surface Mining Control and Reclamation Act, which lowered the per-ton coal fee companies pay into the AML Fund. The proposal would return the fees to the levels companies paid prior to the 2006 fee reduction. The additional revenue, with estimated net savings of \$54 million over ten years, will be used to reclaim high priority abandoned coal mines.

Reallocate NPR-A Revenues to Priority BLM Alaska Activities – The budget proposes to temporarily halt revenue sharing payments to the State of Alaska from NPR-A oil and gas development to reallocate these resources to a new Alaska Land Conveyance and Remediation Fund. This fund would supplement current appropriations and address priority BLM program needs in Alaska, specifically the remediation of oil and gas legacy wells in NPR-A and the completion of remaining land title conveyances to the State of Alaska, individual Alaska Natives, and Alaska Native Corporations. The regular 50/50 Federal-State revenue sharing arrangement would resume once the work on these two Alaska-specific activities is complete. This approach of temporarily suspending revenue sharing payments is similar to the approach taken by Congress to address priority site remediation needs in the Naval Oil Shale Reserve No. 3 located in the State of Colorado.

Discontinue AML Payments to Certified States – The budget proposes to discontinue the unrestricted payments to States and Tribes certified for completing their coal reclamation work. These payments can be used for general purposes and no longer contribute to abandoned coal mine lands reclamation. While the Surface Transportation Extension Act of 2012 capped annual payments to each certified State and Tribe at \$15.0 million, this proposal terminates all such payments, with estimated savings of approximately \$327 million over the next ten years.

Reclamation of Abandoned Hardrock Mines – To address the legacy of abandoned hardrock mines across the U.S. and hold the hardrock mining industry accountable for past mining practices, the Department will propose legislation to create a parallel Abandoned Mine Lands Program for abandoned hardrock sites. The program would be financed through the imposition of a new AML fee on hardrock production on both public and private lands. The BLM will distribute the funds

through a set allocation to reclaim the highest priority hardrock abandoned sites on Federal, State, tribal, and private lands. Additional revenue is estimated at \$1.8 billion for the 2014-2023 period, while outlays for reclamation projects, which lag behind collections, are estimated at \$1.3 billion over the same period.

Reform Hardrock Mining on Federal Lands – Interior will submit a legislative proposal to provide a fair return to the taxpayer from hardrock production on Federal lands. The legislative proposal will institute a leasing program under the Mineral Leasing Act of 1920 for certain hardrock minerals including gold, silver, lead, zinc, copper, uranium, and molybdenum, currently covered by the General Mining Law of 1872. After enactment, mining for these metals on Federal lands will be governed by the new leasing process and subject to annual rental payments and a royalty of not less than five percent of gross proceeds. Half of the receipts will be distributed to the States in which the leases are located and the remaining half will be deposited in the Treasury. Existing mining claims will be exempt from the change to a leasing system, but will be subject to increases in the annual maintenance fees under the General Mining Law of 1872. Holders of existing mining claims for these minerals could, however, voluntarily convert claims to leases. The Office of Natural Resources Revenue will collect, account for, and disburse the hardrock royalty receipts. The proposal is projected to generate revenues to the U.S. Treasury of \$80 million over ten years, with larger revenues estimated in following years.

Net Receipts Sharing for Energy Minerals – The Department proposes to make permanent the current arrangement for sharing the cost to administer energy and minerals receipts. Under current law, States receiving significant payments from mineral revenue development on Federal lands also share in the costs of administering the Federal mineral leases from which the revenue is generated. In 2014, this net receipts sharing deduction from mineral revenue payments to States will be implemented as an offset to the Interior Appropriations Act, consistent with the provision included since 2010. Permanent implementation of net receipts sharing is expected to result in savings of \$44 million in 2015 and \$421 million over ten years.

Geothermal Energy Receipts – The Department proposes to repeal Section 224(b) of the Energy Policy Act of 2005. Prior to passage of this legislation, geothermal revenues were split between the Federal government and States, with 50 percent directed to States, and 50 percent to the Treasury. The Energy Policy Act of 2005 changed this distribution beginning in 2006 to direct 50 percent to States, 25 percent to counties, and for a period of five years, 25 percent to a new BLM Geothermal Steam Act Implementation Fund. The allocations to the new BLM geothermal fund were discontinued a year early through a provision in the 2010 Interior Appropriations Act. The repeal of Section 224(b) will permanently discontinue payments to counties and restore the disposition of Federal geothermal leasing revenues to the historical formula of 50 percent to the States and 50 percent to the Treasury. This results in savings of \$4 million in 2014 and \$48 million over ten years.

Federal Land Transaction Facilitation Act – The Department proposes to reauthorize this Act that expired on July 25, 2011, and allow Federal lands identified as suitable for disposal in recent land use plans to be sold using this authority. The sales revenues would continue to fund the acquisition of environmentally sensitive lands and administrative costs associated with conducting the sales.

Federal Migratory Bird Hunting and Conservation Stamps – Federal Migratory Bird Hunting and Conservation Stamps, commonly known as Duck Stamps, were originally created in 1934 as the

annual Federal license required for hunting migratory waterfowl. Today, 98 percent of the receipts generated from the sale of these \$15.00 stamps are used to acquire important migratory bird areas for migration, breeding, and wintering. The price of the Duck Stamp has not increased since 1991, while the cost of land and water has increased significantly. The Department proposes legislation to increase these fees to \$25.00 per stamp per year, beginning in 2014. Increasing the cost of Duck Stamps will bring the estimate for the Migratory Bird Conservation account to \$61 million. With these increased receipts, the Department anticipates additional acquisition of an estimated 7,000 acres in fee and an estimated 10,000 acres in conservation easement in 2014. Total acres acquired for 2014 will then be estimated at 28,000 in fee title and 47,000 in perpetual conservation easements.

Bureau of Land Management Foundation – The budget proposes legislation to establish a congressionally-chartered National BLM Foundation. This Foundation will provide an opportunity to leverage private funding to support public lands, achieve shared outcomes, and focus public support on the BLM mission. The Foundation will be established as a charitable, non-profit organization to benefit the public by protecting and restoring the BLM’s natural, cultural, historical, and recreational resources for future generations. The National BLM Foundation would be similar to other existing foundations which benefit Federal programs, including the National Park Foundation, the National Fish and Wildlife Foundation, and the National Forest Foundation.

Recreation Fee Program – The Department of the Interior proposes to permanently authorize the Federal Lands Recreation Enhancement Act, which expires in December 2014. The Department currently collects over \$200 million in recreation fees annually under this authority and uses them to enhance the visitor experience at Interior facilities. In addition, the Department will propose a general provision in the 2014 budget request to amend appropriations language to extend the authority through 2015.

Offsetting Collections and Fees

The budget includes the following proposals to collect or increase various fees, so industry shares some of the cost of Federal permitting and regulatory oversight.

Fee Increase for Offshore Oil and Gas Inspections Through appropriations language, the Department proposes inspection fees totaling \$65.0 million in 2014 for offshore oil and gas drilling facilities subject to inspection by the Bureau of Safety and Environmental Enforcement. These fees will support BSEE’s expanded inspection program to increase production accountability, human safety, and environmental protection.

New Fee for Onshore Oil and Gas Inspections Through appropriations language, the Department proposes to implement an inspection fee in 2014 for onshore oil and gas activities subject to inspection by BLM. The proposed inspection fee is expected to generate \$48.0 million in 2014, \$10.0 million more than the corresponding \$38.0 million reduction in requested appropriations for BLM, thereby expanding the capacity of BLM’s oil and gas inspection program. The fee is similar to those already in place for offshore operations and will support Federal efforts to increase production accountability, human safety, and environmental protection.

Onshore Oil and Gas Drilling Permit Fee – The 2014 budget proposes to continue a fee for processing drilling permits through appropriations language, an approach taken by Congress in the 2009 and subsequent Interior Appropriations Acts. A fee of \$6,500 per drilling permit was

authorized in 2010, and if continued, will generate an estimated \$32.5 million in offsetting collections in 2014.

Surface Mining and Reclamation Permit Fee – The 2014 budget continues an offsetting collection initiated in 2012, allowing the Office of Surface Mining Reclamation and Enforcement, to retain coal mine permit application and renewal fees for the work performed as a service to the coal industry. The fee will help ensure the efficient processing, review, and enforcement of the permits issued, while recovering some of the regulatory operating costs from the industry benefitting from this service. The fee, authorized by section 507 of SMCRA, will apply to mining permits on lands where regulatory jurisdiction has not been delegated to the States. The permit fee will generate \$2.4 million in offsetting collections in 2014.

Grazing Administrative Fee – The 2014 budget proposes a new grazing administrative fee of \$1 per animal unit month. The BLM proposes to implement this fee through appropriations language on a three-year pilot basis. The 2014 budget estimates the fee will generate \$6.5 million in 2014, which will assist BLM in processing grazing permits. During the period of the pilot, BLM will work through the process of promulgating regulations for the continuation of the grazing fee as a cost recovery fee after the pilot expires.

Marine Minerals Administrative Fee – The 2014 budget proposes to establish an offsetting fee in the BOEM Marine Minerals program to recover costs associated with processing offshore sand and gravel mining permits. The fees are estimated to generate \$470,000 in revenue in 2014, to offset the cost of the program, and would be implemented through existing regulatory authority under the Outer Continental Shelf Lands Act.

Conclusion

Thank you for the opportunity to testify on the President's 2014 budget request for the Department of the Interior. We have a tremendous opportunity to invest in programs and initiatives that will advance America's energy independence and economic growth. This budget balances fiscal constraint with proposals for forward looking investments that will advance the stewardship of lands and resources, renewable energy, oil and gas development and reforms, water conservation, youth employment and engagement, and improvements in the quality of life in Indian communities. For America to be at its best, we need be bold and strategic and advance the ideas and policies in this budget. I thank you again for your continued support of the Department's mission. I look forward to answering questions about this budget. This concludes my written statement.