

**STATEMENT OF SALLY JEWELL, SECRETARY OF THE INTERIOR
BEFORE THE SUBCOMMITTEE ON INTERIOR,
ENVIRONMENT AND RELATED AGENCIES,
SENATE COMMITTEE ON APPROPRIATIONS
ON THE 2014 PRESIDENT'S BUDGET REQUEST**

May 7, 2013

Mr. Chairman and members of the Committee, I am pleased to be here today. I am glad to have an opportunity to talk with you about my priorities, the Department's continuing role in job creation and the economy, and how we are practicing good government.

We share very deep connections in our roles as stewards of the Nation's parks, forests, deserts, rivers, and seashores and as the keeper of the history of this country. We share responsibilities to protect and advance the role of public lands and Indian lands as huge economic engines for the Nation. From energy development, to grazing, to logging, tourism and outdoor recreation, our lands and waters power our economy and create jobs. In many of your States, the revenues we share from energy production and other activities are a critical component of the local economy.

I believe our partnership efforts and ability to resolve challenges and take advantage of opportunities will advance our goals and shape our country for years to come.

2013 Appropriations

Before I talk about the 2014 President's budget, I would like to paint the contrast created by the 2013 budget situation. For the programs that this Subcommittee oversees, the Department's operating level for 2013 is \$9.9 billion, including a sequester cut of \$523 million.

The cuts to our budget push us back in time to funding levels we last saw in 2006. The cuts reverse much of the progress made by Secretary Salazar, who worked in partnership with this Committee to build capacity to advance the President's all-of-the-above energy strategy; conserve our lands, waters and wildlife; advance youth engagement in the outdoors; and honor commitments to Indian Nations. I will admit we were disappointed by the outcome of the 2013 budget. It has resulted in dispirited agencies and demoralized employees and it undermines the work we need to do on so many fronts.

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 a balancing of work and stretches resources across 17 western States.

BLM strives to be a good neighbor. The BLM's operating budget is reduced from last year's operating level by \$70 million or 6 percent. This reduction comes now, halfway through the fiscal year and at the start of field season. The outcome of the 2013 appropriation process will slow BLM's efforts to strengthen the management and permitting processes for oil and gas, minerals and coal on public lands; reduce efforts underway to protect and restore sage grouse habitat; reduce our partnerships that help to maintain trails and recreation opportunities; and slow the issuance of grazing permits and timber leases. This will impact BLM's ability to be a good neighbor because it will be necessary to reduce invasive species control, the protection of archeological sites, and limit access for camping, 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 discussion is important – we are at 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.

Our Department collects nearly \$13 billion annually through mineral extraction, grazing and timber activities on public lands, and recreation fees. We share nearly \$5 billion of these 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 will survive these cuts in 2013 by freezing hiring, eliminating seasonal positions, and cutting back on our programs and services. These steps are essential in order to maintain our core mission to serve the public. However, they are not sustainable, as these actions which are eroding our workforce, shrinking our summer field season, and deferring important work cannot be continued in future years without further severe consequences to our mission.

2014 Budget

The 2013 situation is in stark contrast to our 2014 budget. Interior's 2014 budget represents the needs of this Department in balance with the constrained fiscal situation. The budget will help us to operate effectively and fulfill our mission requirements and authorized purposes as prescribed by the Congress.

The 2014 budget request includes \$10.9 billion for programs under the jurisdiction of the Interior, Environment and Related Agencies Subcommittee. The budget for current appropriations is \$513.2 million or 5.0 percent above the 2012 level.

Including the Bureau of Reclamation and the Central Utah Completion Act, which is under the jurisdiction of the Energy and Water Development Subcommittee, the 2014 President's budget includes \$11.9 billion, an increase of \$486.4 million. Interior's budget request includes reductions and savings of over \$600.0 million. These reductions reflect the outcome of difficult choices, sacrificing in many areas, deferring projects, and programming savings for efficiencies in order to maintain funding for highest priorities.

It is important to put this budget in context. The context is the complex mission the Department of the Interior has and how the mission affects the lives of all Americans. 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. The Department 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.

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.

I am very excited the 2014 budget request includes increased funding for the Land and Water Conservation Fund and a legislative proposal to establish dedicated mandatory funding for LWCF programs, with full funding at \$900 million beginning in 2015. Enactment of a mandatory LWCF program would ensure continued funding for this program that was designed to make investments in conservation and recreation as compensation to the American people for the development of oil and gas resources. In 2014, the budget includes \$600.0 million for LWCF, including \$200.0 million in mandatory funding to supplement discretionary funds and provide an additional \$141.0 million for Interior programs, including \$88.0 million for Federal land acquisition, and \$53.0 million for recreational and conservation grants. The budget includes \$59.0 million in mandatory funding for U.S. Department of Agriculture's Forest Service.

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 Swan Valley Conservation Area which 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.

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.

The 2014 budget continues a collaborative effort begun last year with the U.S. Department of Agriculture's Forest Service in the to focus on the conservation and restoration of 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

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 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. 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.

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 better integrate renewable energy technology into their projects, building on significant investments to date. Reclamation's 58 hydroelectric power plants generate more than 40 billion kilowatt hours of electricity to meet the needs of over 3.5 million households and generate over \$1 billion in gross revenues for the Federal government.

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.

Interior oversees onshore production of oil, gas, and coal on over 700 million acres of subsurface mineral estate and continues efforts to expand safe and responsible onshore energy development. In calendar year 2012, the Bureau of Land Management held 31 onshore oil and gas sales. Although we planned to conduct 33 sales in 2013, the sequester is anticipated to result in fewer and smaller lease sales. 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.

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 began to assess energy resource potential off the coast of the Mid and South Atlantic. In 2012, Interior also 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. 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.

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 v. Salazar* settlement agreement and four tribal water rights settlements. The 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 v. Salazar* 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 includes increases in Trust Real Estate Services, including a general increase of \$4.2 million to support these efforts.

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, tribal contractors are paid for 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, and communications. These funds allow Tribes to manage the programs for which they contract, and 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 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. Grants will be awarded to BIE-funded schools demonstrating the greatest need for the funds and the strongest commitment for substantially raising 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 program, an increase of \$19.0 million.

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. These investments promote economic growth and innovation, advance American competitiveness in the global market, strengthen natural hazard preparedness and improve the Nation's fundamental understanding of our natural resources and environmental capital at the heart of resource development, and human and environmental health issues. 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 observation (such as satellite and airborne land imaging and water and wildlife monitoring).

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 USGS's 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.

As the Department's premier science agency, the U.S. Geological Survey is funded at \$1.2 billion in the proposed budget, an increase of \$98.8 million above the 2012 enacted level, the majority of which is requested for increased research and development. Funding supports research needed for the development of domestic energy, protection of critical water resources, and to respond to natural disasters. The 2014 request emphasizes investments in science unique to USGS that will address national impacts such as hydraulic fracturing, and research, monitoring and tools to make science usable by decision makers in ecosystem restoration efforts in the Chesapeake Bay, California Bay-Delta, and the Upper Mississippi River.

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.

Fiscal Responsibility

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

Despite increased resources needed for programs and services, Interior will continue to improve efficiency and reduce its workforce. Staffing reductions of 593 from 2012 are planned for 2014. 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 over \$600.0 million in program terminations, reductions, and savings from administrative efficiencies and improvements. The budget also continues efforts to shift program costs to industry where appropriate, and in so doing, improve program effectiveness. 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.

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. 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.

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. 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. 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. 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 budget assumes 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 redirect revenue sharing payments to the State of Alaska from NPR-A oil and gas development 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.

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. 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. A new AML fee on hardrock production on both public and private lands would be allocated 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. 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. 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. 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. The Department proposes legislation to increase these fees to \$25.00 per stamp per year, beginning in 2014.

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.

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. 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 to 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.