

**STATEMENT OF P. LYNN SCARLETT, DEPUTY SECRETARY
OF THE DEPARTMENT OF THE INTERIOR
BEFORE THE SENATE APPROPRIATIONS SUBCOMMITTEE
ON INTERIOR AND RELATED AGENCIES**

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Good morning. Thank you for inviting me to discuss the fiscal year 2007 budget for the Department of the Interior. I appreciate the opportunity to highlight our priorities and key goals.

Through its multi-faceted mission and geographically dispersed services, Interior maintains and improves the Nation's natural and cultural resources, economic vitality, and community well being. Interior's 70,000 employees and 200,000 volunteers live and work in the communities, large and small, that they serve. They deliver programs through partnerships and cooperative relationships that engage and include States, Tribes, local communities, citizens, groups, and businesses.

The challenges of the Interior Department cut a broad swathe, with their breadth indicative of the complexity and extent of Interior's mission. They are also indicative of Interior's presence at 2,400 locations from which we manage one in every five acres of the United States.

We face the complexity of working with seven states to manage Colorado River waters. We encounter the inevitable challenges of providing recreation opportunities, access to energy resources, and preservation of the Nation's unique natural, cultural and historic resources. We work with 561 Indian tribes. We respond to emergencies such as Hurricanes Katrina and Rita, applying the expertise of our incident command teams coordinated out of the National Interagency Fire Center. We face the challenges that come from transitioning away from costly, duplicative financial and business management systems that include over 107 real property data bases, 16 financial systems, and 27 acquisition systems.

Facing these challenges requires more integrated management and an integrated strategic plan. The plan defines four mission categories—resource protection, resource use, recreation, and serving communities. Partnerships, management excellence, and science provide the foundations for achieving our four mission goals and serving the public well.

Using the strategic plan as a road map, the Department met or exceeded goals for 69 percent of its annual performance measures in 2005. Since 2001, the Department has:

- Completed nearly 6,000 national park facility improvements and maintained high park visitor satisfaction rates, according to surveys;
- Helped meet the Nation's energy needs by nearly doubling annual energy permit processing on Federal lands;
- Advanced cooperative conservation through Private Stewardship and Landowner Incentive grants that have funded 943 projects with 1,466 partners;

- Protected habitat on 8.8 million acres managed through partnerships; and
- Improved forest health on 5.6 million acres of Interior-managed lands through the Healthy Forests Initiative, a 108 percent increase over the previous five years.

We crafted our 2007 budget through a broad analysis of base programs, consideration of cost and performance information, financial information, staffing, and the budgetary benefits of more effective and efficient utilization of resources. These efforts shaped the budget by highlighting the effect of resource allocation decisions on strategic goals and identifying opportunities to realign priorities and improve efficiency.

The 2007 budget seeks to maintain performance across the Department's strategic plan goals and improve performance in areas that are high-priority Administration initiatives, within the context of the President's commitment to reduce the deficit by more than half by 2009. The 2007 budget incorporates Program Assessment Rating Tool reviews and program evaluations that assess whether programs are well-managed and have clear goals.

Although the details of the respective missions of Interior's bureaus and offices differ, the central focus is the same. A focus on excellent performance requires mission clarity, good metrics, and management excellence. Management excellence requires a focused approach to maintaining and enhancing program results, making wise management choices, routinely examining the effectiveness and efficiency of programs, finding effective means to coordinate and leverage resources, and continuously introducing and evaluating process and technology improvements.

The 2007 budget reflects the Department's commitment to these management strategies and management excellence.

Budget Overview

The 2007 budget request for current appropriations is \$10.5 billion. Permanent funding that becomes available as a result of existing legislation without further action by the Congress will provide an additional \$5.6 billion, for a total 2007 Interior budget of \$16.1 billion.

The 2007 current appropriations request is a decrease of \$392.2 million, or 3.6 percent below the 2006 funding level. If emergency hurricane supplemental funding is not counted, the 2007 request is a decrease of \$321.9 million or 2.9 percent below the 2006 level.

For programs funded by this Subcommittee, the 2007 request includes \$9.6 billion, a decrease of \$190.9 million, or 1.9 percent from the 2006 level, excluding the emergency hurricane supplemental.

Receipts collected by the Department in 2007 are projected to be \$17 billion, an increase of \$99.4 million over 2006. That amount is \$6.5 billion more than Interior's current appropriations request and nearly \$1 billion more than the total 2007 Interior budget.

2005 Hurricanes

In addition to the funds requested in the budget, on February 16, 2006, the President sent the Congress a supplemental funding request for hurricane recovery. The supplemental includes \$216 million for Interior agencies. With these funds, Interior's agencies will conduct clean-up and debris removal and repair and reconstruction of facilities at park units, refuges, and USGS science facilities. The request includes funds to repair levees, dikes, and water control structures that provide wildlife habitat *and* support flood control for New Orleans. These actions will allow us to open roads, bridges, and trails to the public, repair visitor centers and exhibits, and reconstruct water control structures to host migratory bird populations and other wildlife. The supplemental also includes funding for MMS to restore its operations in New Orleans.

Maintaining Core Programs

The Department manages over 500 million acres and some 40,000 facilities at 2,400 operating locations. These responsibilities engage Interior as a principal manager of real property and other assets that require ongoing maintenance, direct services to public lands visitors, and ongoing activities to ensure public access, use, and enjoyment.

In order to deliver these services, the 2007 budget includes funding for pay and health benefits, other nondiscretionary cost increases for workers, unemployment compensation payments, rental payments for leased space, and operation of centralized administrative and business systems. Providing for these costs will allow the Department to maintain performance across strategic goals, improve performance in priority areas, and effectively serve the public.

The budget includes \$125.9 million for nondiscretionary, fixed cost increases. Of this total, two-thirds, or \$82.5 million, will cover 70 percent of anticipated 2007 pay raises. The budget assumes a January 2007 pay increase of 2.2 percent.

In addition to paying for nondiscretionary fixed costs, the budget includes focused investments for tools to enable the department's employees to do their jobs more efficiently and generate long-term cost savings, including implementation of standardized systems and streamlined business practices. One of these investments is the Financial and Business Management System. The 2007 budget includes \$22.2 million to continue deployment of this integrated financial and business management system that will facilitate the retirement of duplicative, outdated legacy systems.

Programmatic Highlights

The 2007 budget maintains and improves performance across the Department's strategic goals to achieve healthy lands and water, thriving communities, and dynamic economies throughout the Nation. Key goals for 2007 include:

- Enhancing America's energy supplies through responsible energy development and continued implementation of the Energy Policy Act;
- Building on successful partnerships across the country and expanding opportunities for conservation that leverage Federal investments;
- Continuing to advance trust reform;
- Coordinating existing efforts under a unified program that focuses on high-priority historic and cultural protection under the Preserve America umbrella;
- Preventing crises and conflicts over water in the West through Water 2025;
- Continuing to reduce risks to communities and the environment from wildland fires; and
- Providing scientific information to advance knowledge of our surroundings.

As part of the President's effort to reduce the budget deficit by half over five years, the 2007 budget for the Department makes difficult choices to terminate or reduce funding for programs that are less central to the Department's core missions, have ambiguous goals, duplicate activities of other agencies, or require a lower level of effort because key goals have been achieved. Terminations and reductions include lower priorities and earmarks enacted in 2006. For example, the 2007 budget reduces funding for the Land and Water Conservation Fund State Assistance Grant program. These grants support State and local parks that have alternative sources of funding through State revenues and bonds. In addition, a PART review found the current program could not adequately measure performance or demonstrate clear results.

Energy Development

The Department's energy programs play a critical role in providing access to domestic oil, gas, and other energy resources. To enhance domestic production, the 2007 budget proposes an increase of \$43.2 million to implement the Energy Policy Act of 2005 and continue progress on the President's National Energy Policy. In total, the budget includes \$467.5 million for the Department's energy programs.

APD Processing — In 2003, under Energy Policy and Conservation Act requirements, the Department issued a report identifying five basins in Montana, Wyoming, Utah, Colorado, and New Mexico as containing the largest onshore reserves of natural gas in the country and the second largest domestic resource base after the Outer Continental Shelf. These onshore basins contain an estimated 139 trillion cubic feet of natural gas, enough to heat 55 million homes for almost 30 years. These resources offer the best opportunity to augment domestic energy supplies in the short term—an important step to moderating the doubling we have seen in natural gas spot prices since 2005. Those price

increases have resulted in 100 percent increases for farmer's fertilizer costs; over 20 percent increases in transportation costs for some schools; and have deterred investment by some high-paying manufacturers in the United States.

Before any leasing for oil and gas production can occur on the public lands in these areas, the Bureau of Land Management must have a land-use plan in place. Beginning in 2001, with the support of Congress, BLM initiated the largest effort in its history to revise or amend all of its 162 resource management plans. Within areas designated in plans as appropriate for mineral development, BLM has made a concerted effort to bring additional oil and gas supplies to market. In 2002, 2.1 Tcf were produced from Federal, non-Indian lands. In 2003 and 2004, 2.2 Tcf and 3.1 Tcf, respectively, were produced from these lands.

The BLM is experiencing a steady increase in the demand for drilling permits. In 2000, BLM received 3,977 applications for permits to drill. In 2005, BLM received 8,351 APDs. The bureau estimates that in 2006, it will receive in excess of 9,300 permit applications, more than double the number processed five years ago. To address this demand, BLM has taken steps to ensure that drilling permit applications are processed promptly, while at the same time ensuring that environmental protections are fully addressed. These measures, along with increased funding, have allowed BLM to make significant progress in acting on permit applications. In 2005, BLM processed 7,736 applications, nearly 4,000 more than it was able to process in 2000.

Section 365 of the Energy Policy Act established a pilot program at seven BLM field offices that currently handle 70 percent of the drilling permit application workload. The pilot program is testing new management strategies designed to further improve the efficiency of processing permit applications. The Energy Policy Act provides enhanced funding for the pilot offices from oil and gas rental receipts. During 2006, with more efficient processes and authorities and funding provided through Section 365, BLM anticipates processing over 10,000 permits.

The efforts of BLM have achieved significant results. Almost 4,700 new onshore wells were started in 2005. This level of activity is 56 percent higher than in 2002.

For 2007, the budget proposes an increase of \$9.2 million to focus on the oil and gas workload in BLM's non-pilot offices, which are also experiencing a sharp and sustained increase in the demand for APDs. This increase will provide \$4.3 million for drilling permit processing and \$2.8 million for inspection and enforcement activities. It will also provide \$2.1 million for monitoring activities. The budget also includes \$471,000 for the Fish and Wildlife Service to increase consultation work with the non-pilot offices.

With the funding proposed for 2007, we expect that BLM pilot and non-pilot offices will collectively be capable of processing nearly 12,000 APDs and conducting over 26,000 inspections in 2007.

The budget assumes continuation through 2007 of the enhanced funding for pilot offices from oil and gas receipts to facilitate a smooth transition to funding from drilling permit processing fees, effective September 30, 2007. Legislation to be proposed by the Administration will allow a rulemaking to phase in full cost recovery for APDs, beginning with a fee amount that will generate an estimated \$20 million in 2008, fully replacing the amount provided by the Energy Policy Act.

Alaska North Slope — The most promising area for significant long-term oil discoveries and dramatic gains in domestic production in the United States is the Alaska North Slope. The U.S. Geological Survey estimates a 95 percent probability that at least 5.7 billion barrels of technically recoverable undiscovered oil are in the ANWR coastal plain and five percent probability of at least 16 billion barrels. USGS estimates the mean or expected value is 10.36 billion barrels of technically recoverable undiscovered oil. At \$55 a barrel, more than 90 percent of the assessed technically recoverable resource estimate is thought to be economically viable. At peak production, ANWR could produce about one billion barrels of oil a day, about 20 percent of our domestic daily production and more oil than any State, including Texas and Louisiana.

The 2007 budget assumes the Congress will enact legislation in 2006 to open ANWR to energy exploration and development with a first lease sale held in 2008 and a second in 2010. The budget estimates that these two lease sales will generate a combined \$8.0 billion bonus revenues, including \$7.0 billion from the 2008 lease sale.

The 2007 budget includes an increase of \$12.4 million for BLM energy management activities on the Alaska North Slope. The additional funds will support the required environmental analyses and other preparatory work in advance of a first ANWR lease sale in 2008. The requested increase will also support BLM's leasing, inspection, and monitoring program in the National Petroleum Reserve-Alaska and BLM's participation in the North Slope Science Initiative authorized by the Energy Policy Act. In addition, a significant share of the \$12.4 million increase will be used by BLM to respond to the environmental threat posed by abandoned legacy wells and related infrastructure on the North Slope.

Outer Continental Shelf Development — Deepwater areas of the Gulf of Mexico currently account for 17 percent of domestic oil and six percent of domestic gas production. However, over the next decade, oil production in the Gulf is expected to increase by 43 percent and natural gas by 13 percent. The increase will come from deepwater and greater depths below the ocean floor. The 2007 budget includes an increase of \$2.1 million for OCS development, to allow MMS to keep pace with the surge in exploration and development in the deepwater areas of the Gulf and \$1.5 million for OCS environmental impact statements on future lease sales.

New Innovations in Energy Development – The 2007 budget includes an increase of \$6.5 million for MMS's new responsibilities under the Energy Policy Act for offshore renewable energy development. MMS will establish a comprehensive program for regulatory oversight of new and innovative renewable energy projects on the OCS,

including four alternative energy projects for which permit applications were previously under review by the U.S. Army Corps of Engineers.

Oil shale resources represent an abundant energy source that could contribute significantly to the Nation's domestic energy supply. Oil shale underlying a total area of 16,000 square miles in Colorado, Utah, and Wyoming represents the largest known concentration of oil shale in the world. This area may contain in place the equivalent of 1.2 to 2 trillion barrels of oil, several times the proven oil reserves of Saudi Arabia. The budget proposes a \$3.3 million increase, for a total program of \$4.3 million, to enable BLM to accelerate implementation of an oil shale development program leading to a commercial leasing program by the end of 2008, in compliance with section 369 of the Energy Policy Act. This request is accompanied by \$500,000 budgeted for USGS to determine the size, quality, and quantity of oil shale deposits in the United States.

Gas hydrates, found in some of the world's most remote regions such as the Arctic and deepwater oceans, could dramatically alter the global balance of world energy supply. The estimated volume of natural gas occurring in hydrate form is immense, possibly exceeding the combined value of all other fossil fuels.

The 2007 budget includes a \$1.9 million package of increases for gas hydrate research and development by MMS, BLM, and USGS. This will fund a coordinated effort in the Gulf of Mexico and the North Slope of Alaska to accelerate research, resource modeling, assessment, and characterization of hydrates as a commercially viable source of energy.

Partnerships in Conservation

The 2007 budget proposes \$2.6 billion for resource protection activities that improve the health of natural landscapes, sustain biological communities, and protect cultural and heritage resources. Key initiatives in resource protection include:

Cooperative Conservation Programs – At field locations throughout the country, bureau employees and volunteers are learning by doing, working side-by-side with neighbors, and tapping into best practices from others working on similar issues. By working with local communities, Interior employees benefit from local knowledge, ideas, and assistance to achieve conservation results that can transcend jurisdictional boundaries. At the national level, conservation partnerships leverage resources, broaden our knowledge base, and help coordinate actions to achieve strategic goals. These grants are a central conduit for implementing the Department's ESA responsibilities, since over 80 percent of endangered and threatened species are found on non-federal lands.

Under the broad framework of Executive Order 13352, the Chairman of the White House Council on Environmental Quality convened a White House Conference on Cooperative Conservation. The Departments of the Interior, Agriculture, Commerce, and Defense, and the Environmental Protection Agency co-hosted the event. On August 29-31, 2005, representatives from the public and private sectors convened in St. Louis, Missouri to discuss the advancement of this cooperative conservation vision. The conference

emphasized the need to create a culture of responsibility to enhance opportunities for citizen stewards to work together. To improve its partnering efforts in cooperative conservation, the Department is developing and utilizing government tools that inspire and complement citizen stewardship and environmental entrepreneurship.

From 2002 through 2006, Interior's conservation partnership programs have provided \$2.1 billion. These programs leverage Federal funding, typically providing a non-Federal match of 50 percent or more. The 2007 budget includes \$322.3 million to support continued partnership success through a suite of grant and technical assistance programs.

The FWS administers natural resource grants to governmental, public, and private organizations, groups, and individuals that focus on at-risk species and their habitats. The Landowner Incentive and Private Stewardship programs are funded at a total of \$33.8 million, an increase of \$4.9 million from 2006. Through these programs, Interior employees work with States, Tribes, communities, and landowners to provide incentives to conserve sensitive habitats, while maintaining the fabric of the local communities and continuing traditional land management practices such as farming and ranching.

The North American Wetlands Conservation Fund, the Cooperative Endangered Species Conservation Fund, and State and Tribal Wildlife grants program are funded at a total of \$196.3 million, an increase of \$9.4 million over 2006. This includes a \$7.2 million increase for State and Tribal Wildlife Grants, which contains \$5 million for a new competitive component of the program.

Challenge cost share programs in the Fish and Wildlife Service, the National Park Service, and the Bureau of Land Management are funded at \$20.3 million. These cost share programs give the land management agencies opportunities to work together and with adjacent communities, landowners, and other citizens to achieve common conservation goals. The 2007 proposal represents an increase of \$1.6 million.

The Fish and Wildlife Service budget also includes \$11.8 million, an increase of \$1.0 million, for joint ventures. The increase will result in a 1.1 million acre increase in the number of acres of landscapes and watersheds managed through partnerships and networked lands. The budget includes \$13.0 million for the Coastal program, providing an increase of \$604,000 for general program activities to address the growing demand for habitat conservation activities for FWS trust species. In 2007, coastal program activities will also expand to address the decline of aquatic habitat in areas such as the Gulf Coast, affected by Hurricanes Katrina and Rita.

Sustaining Biological Communities – The Department's 2007 budget request includes \$60.0 million for invasive species and continues the government-wide, performance-based crosscut budget effort that began in 2004. The budget provides an increase of \$994,000 for work in three priority geo-regional areas: South Florida, the Northern Great Plains, and the Rio Grande River Basin. The 2007 budget will focus on invasive species that present significant threats to ecosystem health, including lygodium, leafy spurge, and tamarisk.

National Fish Habitat Initiative – The Fish and Wildlife Service has brought together States, Tribes, and others to develop a coordinated plan to implement a geographically-focused, partnership effort to protect, restore, and enhance aquatic habitats and reverse the decline of fish and aquatic species. The 2007 budget includes \$3.0 million for the National Fish Habitat Initiative, an increase of \$2.0 million. This effort is modeled on the North American Waterfowl Management Plan Joint Ventures and will harness the energies and expertise of existing partnerships to improve aquatic habitat health.

Klamath River Basin – The 2007 budget includes \$63.4 million for Klamath Basin restoration activities, a \$7.8 million increase over 2006. Through the Partners for Fish and Wildlife program, FWS will restore stream channel and riparian habitat in the Upper Klamath Basin partnering with local landowners, conservation organizations, and other Federal entities to improve habitat for species such as bull trout and restore lakeshore wetlands for Lost River and shortnose suckers.

In 2007, through its Partners program, FWS will begin a new \$2.0 million Lower Klamath Basin initiative. Funding will be used to provide fish passage on tributaries; fencing for riparian areas along streams; assessment and monitoring of disease, particularly in juvenile fish; and restoration of stream channels from former mining excavations. The 2007 budget also includes \$3.5 million to acquire and restore agricultural lands adjacent to Upper Klamath Lake to provide quality habitat for larval and juvenile suckers and a host of native waterbirds, improve water quality for the lake and downstream anadromous fish, and increase water storage in the lake.

Indian Programs

Trust Responsibilities – The budget provides \$536.0 million to continue the Department's ongoing efforts to reform management of its fiduciary obligations to Tribes and individual Indians, to continue historical accounting efforts for trust funds, and to reduce the exponentially growing costs of maintaining fractionated interests of Indian lands.

The 2007 budget continues funding for efforts initiated in 2002 to re-engineer trust business processes. The comprehensive changes underway are intended to bring about dramatic improvements in the management of fiduciary trust assets and better meet the needs of individual Indians and Tribes. A comprehensive and systematic plan known as the Fiduciary Trust Model is guiding reform efforts, including reorganization of Interior's fiduciary trust offices to improve service delivery and enhance accountability of trust operations. Working in partnership with beneficiaries to implement the FTM, Interior has implemented changes in operations and staffing at agencies and many other changes to ensure fulfillment of fiduciary trust goals and objectives. Implementation of integrated systems to support the FTM was completed at the Bureau of Indian Affairs Anadarko and Concho agencies in Oklahoma. These agencies now use the re-engineered trust processes

and interfaced systems; trust data have been reconciled and validated, and numerous backlog cleanup projects have been completed.

The greatest challenge facing successful fiduciary trust management is the fractionation, or continuing subdivision, of individual Indian interests in the land held in trust by the Federal government. Because individual Indian trust lands are subject to a permanent restriction against alienation, they are primarily transferred through inheritance. With each successive generation, individual interests in the land become further subdivided among heirs, each of whom holds a smaller and smaller interest in the land. The ownership of many disparate, small interests generates significant management costs, benefits no one in Indian Country and creates an administrative burden that drains resources away from other Indian programs.

The Department currently administers and manages more than 3.2 million undivided interests in these lands owned by 223,245 individual Indian owners. In many cases, the cost to account for and probate highly fractionated tracts far exceeds either the revenue or the value of the underlying property. Interior has demonstrated success over the past several years acquiring these highly fractionated interests through the Indian Land Consolidation Program. Through December 31, 2005, the Department has acquired 202,775 fractional interests in individual Indian allotted lands, 100 percent ownership in 166 tracts with over 1,142 owners, and 100 percent ownership of interests held by 5,253 individuals.

The 2007 budget includes \$59.5 million, an increase of \$25.4 million, to acquire additional selected highly fractionated individual Indian land interests. The \$59.5 million will fund an acquisition program of about 80,000 additional fractionated interests. In order to maximize the effectiveness of the program, the Department is transitioning to a new long-term strategy for acquisition of individual Indian interests. The strategy will use a tiered process to select which interests to acquire. As of March 2005, there are 2,173 highly fractionated tracts owned by 98,905 individuals. A focus on these tracts will begin in 2006 and target 1,557 of these tracts.

Other trust increases include \$6.5 million that would streamline and strengthen efforts to provide cadastral surveys for Indian land transactions, \$3.0 million to continue efforts to address the backlog of unresolved probate cases, and \$2.0 million to provide for BIA technical assistance and grants to Tribes for Indian energy resource development.

The 2007 budget funds historical trust accounting at \$59.4 million, including \$39.0 million for Individual Indian Money accounting and \$17.4 million for tribal accounting.

Strengthening Indian Self-Determination – A key factor in strengthening Indian self-determination and fostering strong and stable tribal governments is the Tribes' ability to contract or compact for BIA operated programs. The Indian Self-Determination Act requires BIA to provide tribal contractors with contract support costs, which include payment of indirect costs, as determined through negotiation between tribal representatives and Interior's National Business Center. Contract support funds pay a

wide range of administrative and management costs, including finance, personnel, maintenance, insurance, utilities, audits, communications, and vehicle costs. Full funding of contract support costs encourages tribal contracting and promotes progress in achieving Indian self-determination. The 2007 budget proposes a \$19.0 million increase for BIA to fully fund indirect costs for contracting Tribes, a total funding level of \$151.6 million.

Improving Indian Education – Rigorous educational programs help ensure a viable and prosperous future for tribal communities. Providing Indian students with a quality education prepares American Indian children to compete in a dynamic economy. The BIA school system accommodates almost 48,000 Indian children in 184 elementary and secondary schools and dormitories, includes two schools of higher education, and administers operating grants for 24 tribal colleges. The BIA school system has experienced significant change in recent years with implementation of the No Child Left Behind Act. The Act established an Adequate Yearly Progress accountability system that measures student proficiency in math, reading, and language arts. BIA is accountable for helping schools achieve AYP targets and achieving AYP in all BIA funded schools is a top objective of the BIA. Student performance at BIA schools, while improving, remains lower than national averages and in the school year 2004-2005, 30 percent of BIA schools met the AYP measure.

Working with Tribes, BIA developed a Program Improvement and Accountability Plan to improve the effectiveness of the education services provided in the Bureau school system. The Plan identifies six major objectives such as achieving AYP and the tasks to achieve the objectives, including hiring, training, and retaining highly qualified staff. The 2007 budget includes an increase of \$2.5 million to realign education offices and meet the staffing requirements identified in the Plan.

The Indian education program also includes a new initiative to address the needs of juveniles detained in BIA funded detention centers, a segment of youth that has been underserved in the educational system. The request of \$630,000 will be used to provide education services to students temporarily detained in the 20 BIA funded juvenile detention centers.

From 2001 through 2006, BIA received \$1.6 billion for the Indian education program to replace 37 schools and undertake major facility improvement and repair projects at 45 schools. The funding has resulted in significant improvements, increasing the number of schools in good condition. In 2001, 35 percent of the BIA schools were in good or fair condition. After completion of work funded through 2007, approximately 65 percent of the schools will be in good or fair condition. To continue improvement of facility conditions at BIA schools, the budget includes \$157.4 million for education construction. In order to focus on the 27 school replacement projects funded in previous years that are in the design phase or under construction, the education construction budget reflects a reduction of \$49.3 million from 2006.

Johnson-O'Malley -- The budget proposes to eliminate the \$16.4 million Johnson-O'Malley grant program. These grants, identified in the Tribal Priority Allocations of

some Tribes, are distributed by the Tribes to address Indian student needs in local public schools. The grants duplicate similar funding made available by other Federal and State assistance programs. The Department of Education, for example, provided \$115.9 million in 2006 to public schools on or near Indian reservations. In addition, JOM grants do not address a focused goal for academic achievement, and lack a means to measure and report on its impact to student performance. Eliminating JOM grants allows BIA to strengthen its commitment to the BIA school system and avoid redundant Federal programs.

Law Enforcement – Indian Country comprises 56 million acres of land and 1.6 million people. Indian Country has less than two law enforcement officers per thousand people served, as compared to more than four officers per thousand people in comparable rural communities. One of the largest challenges facing the BIA law enforcement program is violent crime. The violent crime rate in Indian Country is twice the national average. The 2007 budget proposes an increase of \$1.8 million for law enforcement in Indian Country. An additional \$2.7 million is requested to staff newly constructed tribal detention centers that will be operational in 2007.

Cultural Resources

The 2007 budget supports the leading role of the National Park Service in the preservation of nationally significant natural and historical resources. Through complementary historic preservation programs, NPS helps to protect heritage resources through initiatives to inventory, manage, and preserve artifacts and monuments and encourages community efforts to preserve local and regional cultural landscapes. The BLM is also a caretaker of significant cultural resources, managing what is perhaps the largest and most diverse collection of cultural properties in North America.

American Heritage and Preservation Partnership – Through its Preserve America initiative, the Administration is encouraging community efforts to preserve our cultural and natural heritage. The goals of the initiative include a greater shared knowledge about the Nation's past, strengthened regional identities and local pride, increased local participation in preserving the country's cultural and natural heritage assets, and support for the economic vitality of our communities.

The 2007 budget request for NPS includes \$32.2 million for locally focused historic preservation and heritage tourism programs, as part of the Preserve America initiative. This budget presents a more seamless approach to these programs by combining Preserve America grants, Save America's Treasures, and the Heritage Partnership program, and operating these programs under a unifying theme.

Preserve America grants help States and communities preserve their historic resources by incorporating them into their local economies. The 2007 budget includes \$10.0 million, an increase of \$5.1 million above the 2006 level, for grants to help communities develop

resource management strategies and business practices for continued preservation of heritage assets.

NPS Asset Management – The NPS is responsible for maintaining over 7,500 facilities for more than 273 million visitors annually. Over previous decades, a backlog of maintenance accumulated in the parks. Starting with the 2002 budget, the Administration has invested \$4.7 billion and undertaken nearly 6,000 facility improvements within the parks, resulting in improved roads and trails, rehabilitated visitor centers, more accessible campgrounds, stabilized historic structures, and visitor satisfaction rates that are high.

Ensuring the state of disrepair experienced in the past does not recur requires an asset management plan that addresses all phases of an asset's lifecycle and encompasses the total cost of ownership for each asset. Effective facility management requires a comprehensive inventory of needs, assessment, and a facility condition assessment survey process, which provides the necessary information for determining resources that are necessary to maintain facilities and infrastructure in acceptable condition. At the end of 2005, NPS had performed comprehensive condition assessments on 57 percent of its asset inventory and is on track to meet its goal of completing the first cycle of assessments by the end of 2006. The 2007 budget continues to support implementation of the NPS asset management program. Total construction and maintenance funding is \$622.8 million, a decrease of \$80.6 million from 2006, but still above the funding levels during any prior Administration. This reflects a return to sustainable funding levels after the completion last year of a five-year surge in funding. The budget request focuses on protecting and maintaining existing assets rather than funding new construction projects.

Cultural Resource Protection – Thousands upon thousands of cultural properties have been reported in surveys of BLM public lands, including cliff dwellings, mines, ground figures, rock art renderings, military outposts and homesteads, and others. These resources represent the tangible remains of at least 13,000 years of human adaptation to the lands, and span the spectrum of human experiences since people first set foot on the North American continent. Many of these valuable and irreplaceable properties and artifacts are threatened by unauthorized use, theft, and vandalism. The 2007 budget proposes a \$3.0 million initiative to improve the protection, preservation, access to, and interpretation of these cultural resources to enhance their economic, scientific, cultural, and educational value to all Americans.

Resource Use

The Department's strategic goal for Resource Use includes programs that manage natural resources to promote responsible use and sustain a dynamic economy. Included in the \$1.5 billion supporting this goal are programs focused on enhancing the Nation's energy security and availability, increasing timber production and improving forest health, and maximizing water availability through improved delivery and efficiency of water use. In addition to the energy initiatives discussed above, the following are the areas of emphasis in the 2007 budget.

Increasing Timber Products – Working in conjunction with the U.S. Forest Service, Interior manages timber tracts on public lands and follows the goals of the Northwest Forest Plan and forest management plans. The 2007 BLM budget will generate increased timber production with a \$3.0 million increase in the Oregon and California Forest Management program that supports the commitments of the settlement agreement in the lawsuit *American Forest Resource Council v. Clarke*. The additional funding will focus on implementing the Northwest Forest Plan under commitments of the settlement agreement, which directs BLM to produce the allowable sale quantity of 203 million board feet and an additional 100 MMBF through the thinning of late- succession reserves. The increase will allow BLM to ramp up to meet the commitment level of 303 MMBF by 2009. It will result in an additional 20 MMBF of timber offered in 2008 and 2009, which are projected to generate \$6.5 million in additional timber receipts.

Payments in Lieu of Taxes – The 2007 budget proposes \$198.0 million for the Payments in Lieu of Taxes Program. PILT payments are made to local governments in counties, townships, and other jurisdictions where certain Federal land is located within their boundaries based on the concept that local governments incur costs related to maintaining infrastructure on Federal lands but are unable to collect taxes on these lands. The budget funds \$197.6 million for PILT payments and \$400,000 for program administration. Although this is \$34.5 million below the 2006 record high level, it is comparable to historical funding levels.

Wildland Fire

The Department's 2007 budget for the Wildland Fire Management program continues implementation of the National Fire Plan and the President's Healthy Forests Initiative. Interior's fire bureaus, working collaboratively with the Forest Service, will continue meeting the Department's Strategic Plan goal of reducing risks to communities and the environment from wildland fire. Since adoption of the National Fire Plan, significant investments in preparedness resources have strengthened initial attack capability and combined with improvements in management and operation, have led to improved firefighting capability. The Department's success rate for containing wildfires at initial attack was 92 percent in 2000. Interior anticipates that it will maintain at least a 95 percent success rate in 2007. The Department has also made substantial progress in addressing the threat posed by heavy fuels buildup and over the last five years, 2001-2005, has treated nearly 5.6 million acres. By contrast in the five years preceding the National Fire Plan, Interior treated few than 2.7 million acres. The management and effectiveness of the hazardous fuels reduction program have also improved. Treatments in the wildland-urban interface have grown from 22 percent of acres in 2001 to nearly 44 percent in 2006.

In 2007, Interior will maintain its high success rate for containing wildfires at initial attack through more effective and efficient use of preparedness and suppression resources. The Department will also continue to strategically implement hazardous fuels reduction projects to reduce risks to communities and improve forest and rangeland

health. The 2007 budget proposes \$769.6 million for the Wildland Fire management program. This includes an increase of \$26.3 million for fire suppression operations, to reflect the ten-year average cost of fire suppression.

Rural Fire Assistance – The 2007 budget for Wildland Fire continues partnerships with local fire departments. Interior fire agencies will continue efforts begun in 2006 to use \$1.9 million in preparedness funding to provide training and personal equipment to local firefighters to help build a ready-reserve of local firefighters that can support initial and extended attack on large forest and thereby improve the effectiveness of Federal cooperation with local firefighting agencies. The \$9.9 million rural fire assistance program is proposed for elimination as a separate funding source because the types of equipment and basic training needs it provides will be met through the U.S. Forest Service and the Department of Homeland Security.

Science Priorities

Science forms the foundation of Interior's land management decisions and strengthens the ability of land managers to address a range of issues. The U.S. Geological Survey serves as the Department's primary source of scientific research, earth and biological sciences data, and geospatial information. The 2007 budget includes \$944.8 million for USGS science related initiatives to protect lives and resources and provide scientific leadership through improved hazards detection and warning, improved energy research, streamgaging, and participation in the Landsat Data Continuity Mission.

Multi-Hazards Pilot – The USGS is responsible for the assessment, monitoring, and prediction of geologic hazards. The 2007 budget proposes a multi-hazards initiative aimed at merging information about different hazards into integrated products to support land-use planning, hazards mitigation, and emergency response. The pilot will be funded by a redirection of base resources and, in addition, the budget calls for an increase of \$2.2 million to enhance these resources.

Landsat Data Continuity Mission – Landsat satellites collect data about the Earth's land surfaces for use in wildland fire management, detecting and monitoring invasive plant species in remote regions, assessing water volume in snow pack and large western aquifers, assessing the stewardship of Federal grazing lands, monitoring the land-use and land change in remote regions, global crop monitoring, and global mapping. USGS and NASA are partnering to build a new landsat satellite set to launch in 2010. The budget requests an increase of \$16.0 million for USGS to finish designing and begin building a ground system to acquire, process, archive, and distribute data from the new satellite.

Streamgages – The USGS operates and maintains approximately 7,000 streamgages that provide long-term, accurate, and objective streamflow and water quality information that meets the needs of many diverse users. The 2007 budget includes an increase of \$2.3 million to allow USGS to continue operations at high priority Federal interest sites as well as increase the number of streamgages reporting real-time data on the Internet.

Conclusion

The budget plays a key role in advancing our vision of healthy lands, thriving communities, and dynamic economies. Behind these numbers lie people, places, and partnerships. Our goals become reality through the energy and creativity efforts of our employees, volunteers, and partners. They provide the foundation for achieving the goals highlighted in our 2007 budget. This concludes my overview of the 2007 budget proposal for the Department of the Interior and my written statement. I will be happy to answer any questions that you may have.