

Manage Natural Resources for a Healthy Environment and a Strong Economy

“Managing the vast resources of America’s public lands has been a core Interior responsibility since the Department was founded in 1849.”

The Department of the Interior manages a wide variety of natural resources for commercial activities when development can be undertaken in an environmentally responsible manner. These resources, including energy and non-energy minerals, water, timber, grazing land, and hydroelectric power, contribute substantially to virtually all sectors of the economy.

In recent years, the public lands administered by the Bureau of Land Management (BLM) have produced 34 percent of the Nation’s coal, 10 percent of its natural gas, and 5 percent of its oil. These lands also produce a large portion of the Nation’s commercial minerals and metals, including stone for highways, potash for fertilizers, gold, and silver. In 2000, of the total of \$1.7 billion in annual revenues derived from BLM-managed lands, energy and minerals generated more than \$1.6 billion from mineral royalties, rents, bonuses, sales, and fees. The total direct and indirect economic output impact of mineral production amounted to \$28.7 billion out of the total \$29.2 billion in commercial activities on BLM-administered public lands.

The Bureau of Reclamation (BOR) is one of the largest suppliers and managers of water in the 17 western states, delivering an estimated 10 trillion gallons of water to more than 31 million people each year for agricultural, municipal, industrial, and domestic uses. Reclamation is the Nation’s second largest producer of hydroelectric power, generating nearly \$1 billion in annual power revenues. Its multipurpose projects also provide substantial flood control, recreation, and fish and wildlife benefits. Over the past 99 years, Reclamation has developed safe and dependable water supplies and hydroelectric power to foster settlement and economic growth in the West. In recent years, Reclamation has moved from development to management of these important resources. In cooperation with state, tribal, local, and other entities, Reclamation encourages development of solutions for water supply problems that are consensus based, cost effective, and environmentally sound.

The Minerals Management Service (MMS) manages the Nation’s natural gas, oil, and other mineral resources on approximately 1.76 billion acres of the Outer Continental Shelf (OCS), and collects, accounts for, and disburses revenues from offshore federal mineral leases as well as from onshore mineral leases on federal and Indian lands. In 2000, the MMS managed approximately 7,600 active leases on the OCS; these leases supplied over 26 percent of the natural gas (about 143 trillion cubic feet since 1953) and more than 25 percent of the oil (about 13 billion barrels since 1953) produced in the United States. The return on investment of MMS programs is enormous, with over \$5 billion collected annually from minerals produced from offshore and onshore federal and Indian lands. Since 1982, over \$110 billion in revenues from mineral activities on federal and Indian lands has been distributed by the MMS to the U.S. Treasury, states, Indian tribes, and individual Indian mineral owners (allotees).

The Fish and Wildlife Service (FWS) manages 70 fish hatcheries that produce an estimated 123.5 million fish. Fish production contributes millions of dollars annually to the U.S. economy.

The goods, services, and revenues produced on federal lands are economically significant to the Nation and to many local communities, particularly in the western and Gulf Coast states. Interior is committed to making these resources available for appropriate commercial uses while protecting the environment and receiving a fair return for the American taxpayer.

In 2000, the Department employed the following crosscutting strategies to achieve the goal of managing natural resources for a healthy environment and a strong economy:

- Developed interagency and intergovernmental approaches to improving customer service and more effectively sharing limited agency resources, and
- Engaged customers and stakeholders in consensus-building processes.

The major departmental activities to achieve the goal of managing natural resources for a healthy environment and a strong economy are summarized in *Figure 7*.

Figure 7

Goal 3 – Manage Natural Resources for a Healthy Environment and a Strong Economy	
GPR A Program Activity	2000 Expenses (\$ in millions)
1. Provide Opportunities for Environmentally Responsible Commercial Activities	\$282
2. Reduce Threats to Public Health, Safety, and Property on Public Lands	473
3. Reclamation Facility Maintenance and Rehabilitation	97
4. Water and Energy Management and Development	532
5. Reclamation Facility Operations	428
6. Reclamation Title Transfers	62
7. Offshore Minerals Management	309
8. Minerals Revenue Management	89
9. United Mine Workers Combined Benefit Fund	109
Total – Goal 3	\$2,381

Provide Opportunities for Environmentally Responsible Commercial Activities

Desired Result: Provide for commercial activities use of the public lands while maintaining or improving environmental conditions.

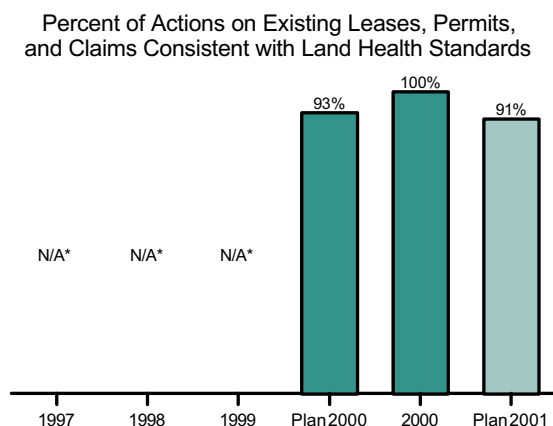
The public lands produce commodities that are key to the Nation’s economy, providing economic stability and growth for local and regional economies. The BLM manages myriad commercial activities on the public lands, including oil and gas leasing, livestock, grazing, timber production, and coal leasing. The BLM recognizes the Nation’s need for a domestic source of minerals, food, timber, and fiber from the public lands. In 2000, the estimated market value of production occurring on public lands was \$13.7 billion, 99 percent of which was derived from energy and minerals. The direct and indirect economic impact of all commercial activities amounted to approximately \$29.2 billion.

Performance Measure: The BLM’s energy and minerals programs involve a sequential set of determinations or approvals on the part of the agency. In its land use plans, the BLM determines where and under what conditions energy and mineral development is an acceptable land use. The BLM then issues a lease or permit granting to an operator the exclusive right to explore and develop an energy or mineral in a specific location. The operator submits to the BLM a proposed plan of operation. Following approval of this plan, the BLM inspects the operation, verifying production for leasable and salable minerals and ensuring that the operators comply with approved plans and conditions of approval. The long-term goal by 2005 is to complete actions on existing energy and mineral leases, permits, and claims on the federal lands consistent with established land health standards to minimize future liabilities.



Geothermal energy is the natural heat of the earth. The Caithness Power Inc. geothermal plant in Dixie Valley, Nevada, converts extracted geothermal energy into electricity to meet a variety of human needs (photo by BLM).

2000 Results: The 2000 target was achieved due to the timely processing of all leases, permits, and claims. BLM raised the priority for processing these leases, permits, and claims in its work schedule to make sure that all of its commitments were met consistent with land health standards. In fact, the BLM received and processed 17 percent more requests for leases, permits, and claims than the baseline that was established in 1998.



* This is a new performance indicator; therefore data for 1997 to 1999 is not available.

Reduce Threats to Public Health, Safety, and Property on Public Lands

Desired Result: Ensure that public lands and facilities are safe for the general public and for Interior employees.

The Bureau of Land Management is responsible for protecting public lands and facilities from unauthorized uses, hazardous materials, illegal dumping, theft, wildfire, and other unsafe conditions. Over the years, the BLM has made more than \$5 billion of capital improvements to roads, trails, dams, bridges, buildings, and recreation sites. Use of these facilities is increasing.

Population growth in rural areas of the West increases risks and responsibilities in fire suppression, search and rescue, and response to natural emergencies. For hazardous substance releases, the BLM must provide immediate protection for employees and public safety, remediate environmental damage, and determine responsible parties.

Performance Measure: BLM is aggressively reassessing its facilities and maintenance requirements for its buildings, administrative and recreation sites, dams, and bridges. This multi-year effort aims to improve deferred maintenance cost estimates and to improve data critical to management efforts. All BLM facilities require routine preventative maintenance and many require repairs to alleviate past deferred maintenance, although the maintenance workload is not spread evenly across the agency. Some facilities may need to be closed. The long-term goal by 2005 is to increase the percentage of administrative facilities structurally maintained in fair or good condition to 92 percent; dams in fair or good condition to 68 percent; and bridges to 99 percent.

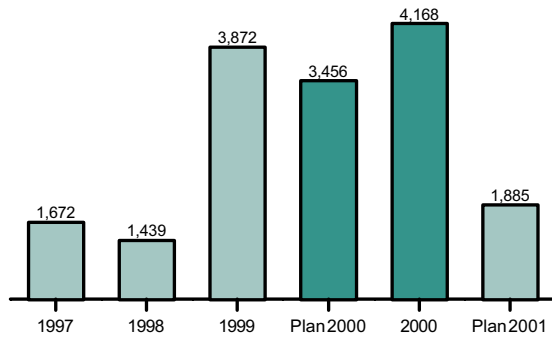
2000 Results: In 2000, 84 percent of BLM's administrative facilities (target was 87 percent), 61 percent of BLM's dams (target was 59 percent), and 92 percent of BLM's bridges (target was 94 percent) were in fair or good condition. BLM intends to continue reducing the backlog of deferred maintenance projects in 2001.

	1997	1998	1999	Plan 2000	2000	Plan 2001
Percent of administrative facilities in fair or good condition	N/A	86%	86%	87%	84%	88%
Percent of dams in fair or good condition	N/A	55%	56%	59%	61%	61%
Percent of bridges in fair or good condition	N/A	91%	92%	94%	92%	95%

Performance Measure: The renewal of livestock grazing permits is a federal action that must conform with land use plans and comply with federal laws and regulations for protection of the environment, including the National Environmental Policy Act, the National Historic Preservation Act, the Endangered Species Act, and others. Livestock grazing is also subject to BLM policy for conserving special status plant and animal species, to the fundamental requirements for ecosystem health, and to standards and guidelines for livestock grazing activities found in 43 CFR, subpart 4180, of the grazing administration regulations. Grazing permits are subject to renewal every ten years.

2000 Results: The BLM exceeded its target in 2000. Grazing permits renewed were approximately 20 percent higher than planned because a portion of the permits renewed in 1999 under the authority of the 1999 appropriations rider were issued for just one or two years. A portion of these permits from 1999 were again renewed in 2000 for the full ten-year period. Planned permit renewals for 2001 anticipate this additional workload.

Number of Grazing Permits or Leases Renewed



Reclamation Facility Maintenance and Rehabilitation

Desired Result: Ensure the proper maintenance, reliability, and serviceability of Reclamation’s facilities and identify and schedule the necessary rehabilitation work.

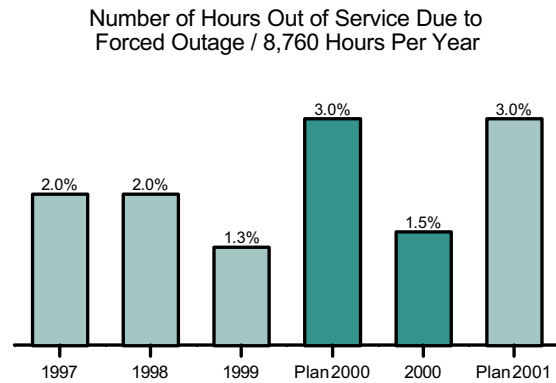
The Bureau of Reclamation is responsible for maintenance, replacement, and minor additions to infrastructure and structural facilities, including facilities for which Reclamation has direct operation and maintenance responsibility on a daily basis. This includes all aspects of ensuring the proper maintenance, reliability, and serviceability of Reclamation’s facilities and identifying and scheduling necessary rehabilitation work. These activities include development and execution of activities designed to quantify facility reliability, improve maintenance practices, determine deficiencies, and identify required corrective actions. These activities also sustain facility dependability and reliability to ensure that facilities are safe from natural and man-made disasters; that the services produced or delivered are available to the public in a safe and

“Reclamation is the Nation’s second largest producer of hydroelectric power with 58 hydroelectric power plants. There are 194 generating units in operation and an installed capacity of 14,692,930 kilowatts.”

dependable manner; and that all cost-effective maintenance activities and practices, technologies, and scientific developments are used to reaffirm the level of reliability and serviceability.

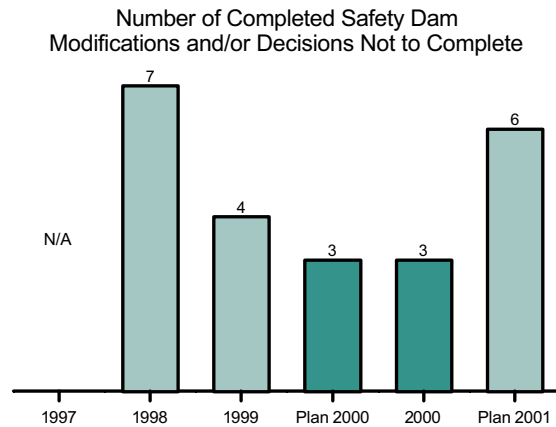
Performance Measure: A forced outage is an unplanned shutdown of a unit or facility, usually because of a system malfunction or breakdown. The amount of time in forced outage is a good indicator of facility reliability and how well the facility is maintained. A low forced-outage rate helps to ensure that the facility is operating well and producing the maximum amount of power. Three percent is the industry average forced-outage rate. The long-term goal is to achieve a three percent or lower rate to ensure that Reclamation facilities are delivering power benefits and continuous service comparable to or exceeding industry standards.

2000 Results: In 2000, BOR achieved a 1.5 percent forced outage rate, exceeding its target of 3 percent.



Performance Measure: Reclamation has reservoirs impounded by 457 dams and dikes. Of these dams and dikes, 358 are considered high or significant hazard dams, which means they would place the public at risk if they were to fail. Approximately 50 percent of Reclamation’s dams were built between 1900 and 1950, while only ten percent of the dams were built under current state-of-the-art design and construction practices. This performance indicator measures Reclamation’s ability to complete modifications to its dams to ensure safety to downstream people and resources.

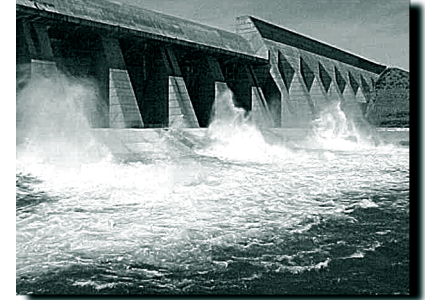
2000 Results: Reclamation achieved its 2000 performance target by completing Safety of Dams modifications at Bradbury, Pueblo, and Willow Creek Dams to address identified risks.



Water and Energy Management and Development

Desired Result: Manage water resources in cooperation with others to improve water quantity and quality for agricultural, municipal, industrial, rural, domestic, hydropower, recreational, and fish and wildlife purposes.

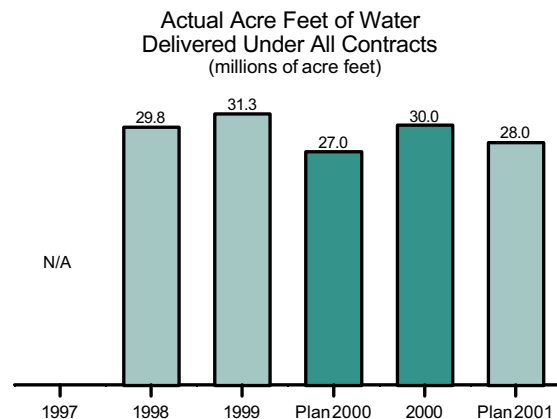
Water is one of our Nation's most valuable resources. Having enough high-quality water is critical to the health, safety, and survival of people, the environment, and the economy. Effective management maximizes overall benefits from our finite, variable natural yearly water supply; it helps us better meet competing demands; and ensures the availability and quality of water resources for current and future generations. Reclamation seeks to gain the greatest benefit from existing resources in a manner that recognizes competing interests, uses sound conservation practices, and is efficient .



Reclamation provides one out of five western farmers with irrigation water for ten million farmland acres that produce 60 percent of the Nation's vegetables and 25 percent of its fruits and nuts (photo by Reclamation).

Performance Measure: Reclamation's core mission is to deliver water to customers to meet the purposes for which projects were authorized. Because the amount of water available depends upon the natural yearly water supply and variable weather patterns, the acre-feet delivered changes each year. However, effective management maximizes overall benefits from the water available by ensuring that systems deliver water in the most effective way possible. The long-term goal for Reclamation is to ensure operational effectiveness to deliver or release the amount of water contracted for and to meet 100 percent of power and water commitments to achieve project benefits each year.

2000 Results: Reclamation exceeded its performance target as severe drought conditions in 2000 reduced natural streamflow and resulted in additional water releases from Reclamation's reservoirs to ensure adequate flows for agricultural and other purposes.



Reclamation Facility Operations

Desired Result: Operate Reclamation facilities for the purpose of providing project benefits for the delivery of water, power, flood control, fish and wildlife, and recreation activities commensurate with established purposes and legal compliance.

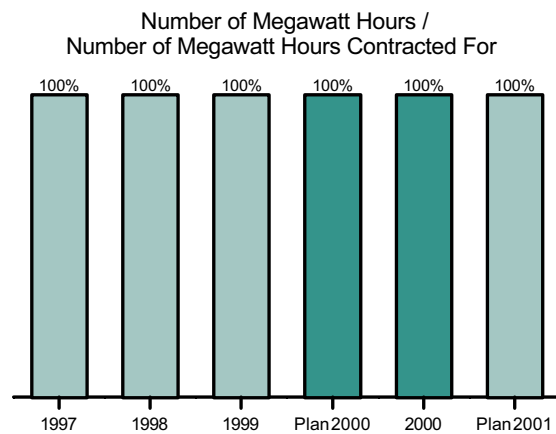
The Bureau of Reclamation operates and manages principal resources developed or affected by Reclamation facilities, including (1) hydroelectric facilities, (2) water supply delivery systems, (3) fish and wildlife facilities, (4) recreation facilities, and (5) flood control.

Reclamation also oversees reviews and long- and short-term planning required to provide timely replacements, upgrades, or modifications to control systems and related communications systems required to maintain system reliability and promote cost-effectiveness.

Reclamation strives to operate its facilities to meet water, power, fish and wildlife, recreation, and flood control requirements while protecting public health and welfare, sustaining environmental values, and providing customer deliveries in a timely and economically sound manner.

Performance Measure: Many of Reclamation’s projects provide the additional benefit of power generation. The demand for power is increasing, but the amount of power that can be generated varies according to water availability. Reclamation’s long-term goal is to meet its contractual commitments 100 percent of the time.

2000 Results: In 2000, Reclamation achieved its target by meeting 100 percent of its project power commitments.

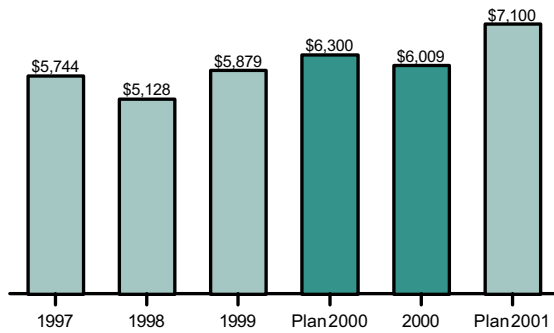


The Alcova Powerplant Generating Unit No. 2 undergoes replacement of a major component (photo by Reclamation).

Performance Measure: Reclamation strives to keep power production costs below the national average for comparable hydropower facilities. As facilities age, it will become more challenging to keep costs relatively low. Reclamation strives to use the latest technologies and operational practices to provide power to customers in the most efficient and cost-effective way possible. Reclamation benchmarks its costs per megawatt capacity against other hydropower entities as an indicator of cost-effectiveness. The long-term goal is to maximize power generation and maintain power production costs at a level comparable to the most efficient and lowest cost sector of the hydropower industry (i.e., the upper 25th percentile of low cost facilities).

2000 Results: In 2000, Reclamation achieved its performance target as costs were below \$6,300 per megawatt capacity. Reclamation is also within the estimated 25th percentile of lowest cost in the hydropower industry.

Power Production Costs (\$) / Net Generation
in Megawatt Capacity



Reclamation Title Transfers

Desired Result: Improve business practices by working with local entities and Congress to transfer ownership of Reclamation facilities that no longer have national significance to non-federal interests.

Transferring Reclamation assets that no longer have national significance plays an important role in fulfilling the Administration's objective that government work better and cost less. A large amount of work is required before a project title is transferred. Often, entities seek initial agreement to proceed on transfer negotiations. During this phase, the parties commit to a process and conduct initial analyses to determine if the transfer is feasible. Some entities seek congressional approval for a transfer first and then negotiate title transfer agreements with Reclamation. At this second stage, the details of title transfer are negotiated. Title transfer cannot occur until this phase is complete. The third phase results in the actual transfer of title.

Performance Measure: BOR monitors the number of title transfer agreements and term and condition agreements that it has with districts interested in owning and managing projects.

2000 Results: Reclamation completed process agreements to transfer title for the following project facilities: (1) North Poudre Supply Canal and Diversion Works; (2) Lower Yellowstone Projects; (3) Middle Loup Division; (4) Southern Nevada Water Authority; (5) Welton Mohawk Irrigation District; (6) Carpentaria Valley Water District; (7) Montecito Water District; (8) Fremont-Madison Irrigation District; and (9) Nampa-Meridian Irrigation District. Transfer agreements were completed for North Poudre Supply Canal, North Loop, and Carpentaria Water District. A transfer of title was completed with the Burley Irrigation District, Idaho.

	1997	1998	1999	Plan 2000	2000	Plan 2001
Number of projects or parts of projects for which an agreement on goals and process has been completed.	N/A	N/A	N/A	8	9	4
Number of projects or parts of projects for which title transfer agreements have been completed.	N/A	N/A	3	4	3	4
Number of titles transferred.	N/A	1	1	1	1	5

Offshore Minerals Management

Desired Result: Provide for safe and environmentally sound mineral development on the Outer Continental Shelf (OCS) and ensure that the public receives fair market value.



Since 1953, approximately 13 billion barrels of oil and more than 135 trillion cubic feet of natural gas have been produced from the Outer Continental Shelf (photo by MMS).

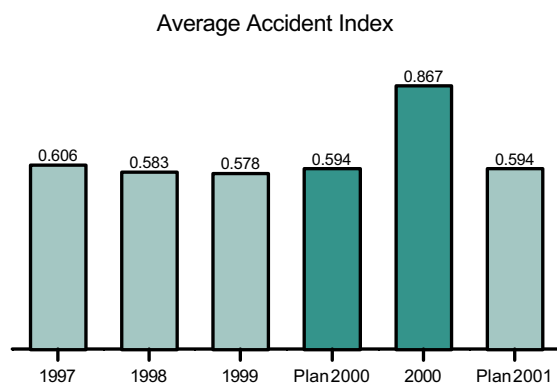
Today's offshore oil and gas industry is global in scope. The Minerals Management Service continues to expand its collaborative projects with other technologically advanced regulatory countries to promote safe and environmentally sound oil and gas operations worldwide.

Offshore Minerals Management was created as a result of the Outer Continental Shelf Lands Act of 1953 (OCSLA), which provides for the expeditious and orderly development of minerals on the OCS in an environmentally sound manner. The OCSLA established a mandate for managing natural resources on the OCS. The primary facets of this mandate are to: (1) make OCS lands available for mineral development to meet national needs; (2) ensure that any mineral development occurs in a safe and environmentally sound manner; and (3) ensure that the public receives fair market value for making these mineral resources available.

Safety Performance Measure: MMS's long-term goal is to maintain or show a decrease in the average annual accident index of .594. The annual performance target for 2000 was to achieve an accident index not greater than .594.

The MMS is committed to ensuring the highest quality operations on the OCS. MMS continues to monitor all of the components of the accident index and takes immediate action when trends are identified. In addition, MMS measures industry performance, continues to study how human factors and mechanical systems interface, and emphasizes operator responsibility for safe operations.

2000 Results: The MMS's 2000 safety index was .867, which is higher than the target of no more than .594. Preliminary analysis indicates that a significant part of the increase was due to refinements in data collection, particularly the way operators reported property damage.



Minerals Revenue Management

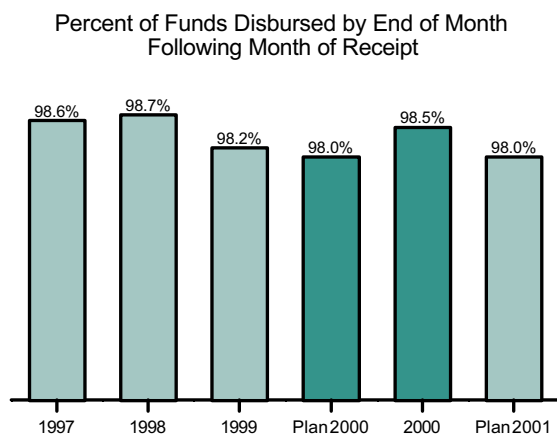
Desired Result: Provide timely, accurate, and cost-effective mineral royalty collection and disbursement services.

The federal government is the largest mineral royalty owner in the United States. The Minerals Management Service (MMS) is responsible for ensuring that, on average, over \$5 billion in annual revenues from federal and Indian mineral leases is collected, accounted for, verified, and disbursed to appropriate recipients in a timely manner. The Federal Oil and Gas Royalty Management Act of 1982 establishes the framework for improving management of federal and Indian mineral royalties.

The Minerals Revenue Management (MRM), formerly the Royalty Management Program, has established a comprehensive, consolidated system for collecting, accounting for, and disbursing mineral revenues. Currently, MMS administers the rental, royalty, and other financial terms for over 26,000 producing and 54,000 non-producing mineral leases, both onshore and offshore.

Disbursement Performance Measure: MMS is working to improve the timeliness of disbursements and provide recipients access to mineral revenues by the end of the business day following the day of receipt. Additionally, MMS continues to ensure that it disburses funds as required by law, by the end of the month following the month of receipt. The long-term goal by 2005 is to provide recipients with access to 90 percent of revenues within one business day of receipt and to disburse 98 percent of revenues to recipients by the end of the month following the month revenues are received.

2000 Results: In 2000, MMS achieved an on-time disbursement rate of 98.5 percent, which exceeded the annual goal of 98 percent. As shown in the following graph, MMS has consistently achieved high on-time disbursement percentages.



Compliance Performance Measure: The compliance index model annually calculates expected total royalty payments using available information and public price data. Before MMS calculates this index, it waits one year for industry to make adjustments to its royalty and production reports and payments. The index reported for 2000 is for calendar year 1998.

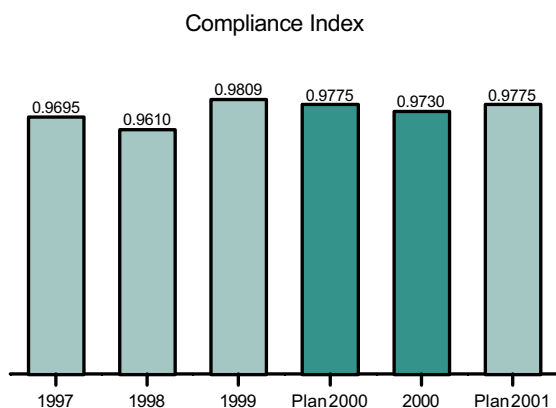
The long-term goal for royalty compliance is, by the end of 2005, to ensure payments are within the expected payment range at the due date for 95 percent of properties. This goal was established in MMS's 2000 - 2005 Strategic Plan in anticipation of the completion of the

“The Gulf of Mexico’s deepwater reservoirs have become America’s new frontier for oil and gas exploration.”

MRM reengineering initiative. The MRM is designing new royalty management business processes and support systems for the 21st century.

2000 Results: In 2000, MMS continued to use the compliance index as the measure that most closely related to the new long-term goal. The MMS achieved a compliance index (actual voluntary royalty payments / expected royalty payments) of .9730, which was slightly below the target of .9775. A preliminary review of the data indicates that a certain segment of the sample universe was responsible for the decrease. MMS is conducting additional analysis of the results to identify the reasons for the decrease.

MMS is developing a new compliance verification system that will provide statistically valid data to measure compliance for defined producing areas and properties. The system is expected to go on line in October 2001 with full implementation in 2003. Once the system is fully implemented and MMS has had an opportunity to determine the best methodology to gather statistically valid data by property, MMS will develop a new measure for this goal. Until then, MMS will continue to use the compliance index to measure performance for this goal.



United Mine Workers of America Combined Benefit Fund

Desired Result: Transfer annually a portion of the interest earned from the Abandoned Mine Land Special Fund to the United Mine Workers of America Combined Benefit Fund (CBF).

Since 1996, the Office of Surface Mining has been required to transfer annually a portion of the interest earned from the Abandoned Mine Land (AML) Special Fund to the United Mine Workers of America Combined Benefit Fund. The AML interest proceeds are made available to provide health benefits for certain eligible retired coal miners and their dependents. Payments are made annually based on the number of beneficiaries and are made in advance based on an estimate. Under current practice, the estimate is then adjusted to actual costs as health benefits are paid. Additionally, the number of beneficiaries can change from year to year based on court cases, bankruptcies, and mortality.

Performance Measure: OSM has determined that meaningful performance measures for this transfer are not possible. Once the transfer is made, OSM has limited authority over how the transferred money is used.

2000 Results: The 2000 annual payment was \$42.5 million for 16,972 beneficiaries. Prior year adjustments decreased this payment by \$1.5 million. In addition, Public Law 106-113 required OSM to transfer an additional \$68 million to pay for any shortfall in any premium account in any plan year under the CBF.