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Department of the Interior
Before The Subcommittee on Energy
and Water Development
Committee on Appropriations
United States Senate
On the President's Fiscal Year 2013 Budget
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Madame Chair, Mr. Alexander, and members of this Subcommittee, I am pleased to appear before you today to discuss the President's FY 2013 budget for the Department of the Interior. I would also like to thank the members of this subcommittee for your efforts to enact a 2012 appropriation, and for your ongoing support for our initiatives.

The 2013 budget builds on that strong foundation with \$11.5 billion budgeted for the Department of the Interior. The budget demonstrates that we can responsibly cut the deficit, while investing to win the future and sustain the national recovery. Our budget promotes the actions and programs as the President details in his *Blueprint for an America Built to Last*; the budget supports responsible domestic energy development and advances an America's Great Outdoors strategy. The budget continues to advance efforts that you have facilitated in renewable energy and sustainable water conservation, cooperative landscape conservation, youth in the outdoors, and reforms in our conventional energy programs.

I will discuss the President's FY 2013 budget for the Bureau of Reclamation and the Office of the Central Utah Project Completion Act (CUPCA), including our proposal to reconsolidate the CUPCA Office into Reclamation, and the water-related programs of the U.S. Geological Survey. I thank the subcommittee for your continued support of these programs.

Introduction

Interior's mission – to protect America's natural resources and cultural heritage and honor the Nation's trust responsibilities to American Indians and Alaska Natives – is profound. Interior's people and programs impact all Americans.

The Department of the Interior is the steward of 20 percent of the Nation's lands including national parks, national wildlife refuges, and the public lands. Interior manages public lands and the Outer Continental Shelf, providing access for renewable and conventional energy development and overseeing the protection and restoration of surface-mined lands. Through the Bureau of Reclamation, Interior is the largest supplier and manager of water in the 17 western States and provides hydropower resources used to power much of the country. The Department supports cutting edge research in the earth sciences – geology, hydrology, and biology – to inform resource management decisions within Interior and improve scientific understanding worldwide. The Department also helps fulfill the Nation's unique trust responsibilities to American Indians and Alaska Natives, and provides financial and technical assistance for the insular areas.

The Department of the Interior makes significant contributions to the Nation's economy. We estimate that it supports over 2 million jobs and approximately \$363 billion in economic activity each year. Visits to our National parks, cultural and historic sites, refuges, monuments and other public lands contribute over \$47 billion in economic activity from recreation and tourism. The American outdoor industry estimates one in twenty U.S. jobs is in the recreation economy. Conventional and renewable energy produced on Interior lands and waters results in about \$230 billion in economic benefits each year, and the water managed by Interior is a major contributing factor to over \$40.2 billion in agriculture.

2011 Accomplishments

Three years ago, Secretary Salazar set Interior on a course to create a comprehensive strategy to advance a new energy frontier; tackle the impacts of a changing landscape; improve the sustainable use of water; engage youth in the outdoors; and improve the safety of Indian communities. These priority goals integrate the strengths of the Department's diverse bureaus and offices to address key challenges of importance to the American public. Interior has been making progress in these areas, including:

In 2011, the Department of the Interior generated a total of \$13.2 billion in receipts benefitting the U.S. Treasury – from a combination of royalties, rents and bonuses from mineral, timber, and other natural resource development. Of the total receipts generated by Interior in 2011, \$11.3 billion was collected from energy production on public lands, tribal lands, and Federal offshore areas – a \$2.0 billion increase over the previous year – with receipts disbursed among Federal, State, and tribal governments.

Since March 2009, 29 onshore projects that increased approved capacity for production and transmission of power have been approved, including the first ever utility scale solar project, five wind projects, and eight geothermal projects. The Cape Wind Energy Project, approved for construction and operation, is the first ever offshore commercial wind operation.

We continue to make youth a priority, and increased the number of youth employed in conservation activities through Interior or its partners by 31 percent over 2009 levels. We launched the YouthGO.gov portal in January 2011, a tool of the Departments of the Interior and Agriculture to provide information on education programs, outdoor activities, and job opportunities.

WaterSMART, established in 2010, has assisted communities in improving conservation, increasing water availability, restoring watersheds, resolving long-standing water conflicts, addressing the challenges of climate change, and implementing water rights settlements. The WaterSMART grant program has provided more than \$85 million in funding to non-Federal partners, including Tribes, water districts, and universities. In 2011, we provided \$33 million in funding for 82 WaterSMART grant projects.

The year 2011 was the second year of a two-year pilot at four reservations to conduct expanded community policing, equip and train the law enforcement cadre, partner with the communities to

organize youth groups and after school programs, and closely monitor results. The results exceeded expectations with a 35 percent overall decrease in violent crime in the four communities. Information about the four reservations is being analyzed and the program will be expanded in 2013 to an additional two communities.

In December of 2011, the President hosted the third White House Tribal Nations Conference bringing together tribal leaders from across the United States; we are improving the Nation-to-Nation relationship with 565 Tribes.

The Department advanced key priorities and strategic goals that will improve the conservation and management of natural and cultural resources into the future:

Interior and its Federal, State, and tribal partners have created a national network of 22 Landscape Conservation Cooperatives and eight CSCs in order to address an increasing variety of conservation challenges.

In the spirit of America's Great Outdoors, we welcomed new national wildlife refuges in Kansas, the Dakotas, Pennsylvania and Florida at the headwaters to the Everglades. These refuges mark a new era of conservation for the Department, one that is community-driven, science-based, and takes into account entire ecosystems and working landscapes.

The Department worked with others to implement short-term measures and develop a long-term action plan to help address water supply and environmental challenges in the California Bay-Delta area, invested over \$600 million in major water projects over the past three years, and moved forward on long-standing water availability issues in the Colorado River Basin.

Fiscal Responsibility

Interior's 2013 budget must be viewed in the context of the difficult fiscal times facing the Nation. This budget is responsible and austere. Interior's \$11.5 billion budget funds important investments by eliminating and reducing lower priority programs, deferring project start-ups, reducing duplication, streamlining operations, and capturing savings. It maintains funding levels for core functions that are vital to uphold stewardship responsibilities and sustain key initiatives. The 2013 budget includes \$10.5 billion for programs funded by the Interior, Environment, and Related Agencies appropriation. The 2013 budget for Reclamation, including the Central Utah Project Completion Act (CUPCA), is \$1.0 billion in current appropriations, \$42.4 million below the 2012 enacted level.

Interior's 2013 budget reflects many difficult budget choices, cutting worthy programs and advancing efforts to shrink Federal spending. Staffing reductions are anticipated in some program areas, which will be achieved through attrition, and buy-outs in order to minimize the need to conduct reductions in force to the greatest extent possible. These reductions are a necessary component of maintaining overall fiscal restraint while allowing us to invest additional resources in core agency priorities.

Growing the Economy Outdoors

The President's *Blueprint* recognizes the economic potential of renewable energy development. The economic benefits could be particularly significant in America's remote and rural places near public lands. The Department's 2010 estimates identified nearly \$5.5 billion in economic impacts associated with renewable energy activities, a growing economic sector that supports high paying jobs.

Interior is at the forefront of the Administration's comprehensive effort to spur job creation by making the United States the world's top travel and tourism destination. In a recent statement, President Obama cited Department of Commerce figures showing that in 2010, international travel resulted in \$134 billion in U.S. exports.

The President has asked Secretary Salazar to co-chair an interagency task force with Commerce Secretary Bryson to develop a National Travel and Tourism Strategy to expand job creation by promoting domestic and international travel opportunities throughout the United States. A particular focus of the Task Force will be on strategies for increasing tourism and recreation jobs by promoting visits to the Nation's national treasures.

According to a Departmental study, in 2010, 437 million visits were made by American and international travelers to these lands, contributing \$47.9 billion in economic activity and 388,000 jobs. Eco-tourism and outdoor recreation also have an impact on rural economies, particularly in Arizona, California, Colorado, Florida, Nevada, North Carolina, Oregon, Utah, and Wyoming.

America's Great Outdoors

The Administration continues to listen to the American public as they ask for protection and restoration of our outdoors and to expand opportunities for recreation through partnerships with States and others and the promotion of America's parks, refuges, and public lands. An important element in this effort is the restoration of our rivers to both protect the environmental benefits and to secure future water supplies. By encouraging innovative partnerships in communities across the Nation, the Administration is 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. As part of America's Great Outdoors, Interior is supporting 101 signature projects in all States across the Country to make parks accessible for children, create great urban parks and community green spaces, restore rivers, and create recreational blueways to power economic revitalization. Projects were selected in concert with governors, tribal leaders, private landowners, and other stakeholders, and were evaluated based on the level of local support, the ability of states and communities to leverage resources, and the potential to conserve important lands and promote recreation.

The 2013 America's Great Outdoors initiative focuses on investments that will lead to healthy lands, waters and resources while stimulating the economy – goals that are complementary. Through strategic partnerships, Interior will support and protect historic uses of lands, restore lands and resources, protect and interpret historic and cultural resources, and expand outdoor

recreation opportunities. All of these activities have significant economic benefits in rural and urban communities.

Interior's 2013 budget continues to better equip land and resource managers with the tools they need to effectively conserve resources in a rapidly changing environment. Significant changes in water availability, longer and more intense fire seasons, invasive species and disease outbreaks are creating challenges for resource managers and impacting the sustainability of resources on public lands. These changes result in bark beetle infestations, deteriorated range conditions, and water shortages that negatively impact grazing, forestry, farming, as well as the status of wildlife and the condition of their habitats. Many of these problems are caused by or exacerbated by climate change.

The Department's budget includes \$6.0 million for Reclamation's Basin Studies program, which funds Reclamation's partnerships with State and local entities to initiate comprehensive water supply and demand studies in the West.

Reclamation continues to participate in and support to the Desert and Southern Rockies Landscape Conservation Cooperatives. These LCCs are partnerships between Interior and other Federal agencies, States, Tribes, non-governmental organizations, and other stakeholders, to bring together science and sustainable resource conservation activities to develop science-based solutions to on-the-ground challenges from a changing environment within an ecological region or "landscape." The LCCs leverage the resources and expertise of the partners and work across jurisdictional barriers to focus on natural resource issues specific to a particular ecosystem or landscape.

Investing In Our Youth

Furthering the youth and conservation goals of the America's Great Outdoors initiative, the 2013 budget proposes to continue engaging youth by employing and educating young people from all backgrounds.

Interior is uniquely qualified to engage and educate young people in the outdoors and has programs that establish connections for youth ages 18 to 25 with natural and cultural resource conservation. These programs help address unemployment in young adults and address health issues by encouraging exercise and outdoor activities. For example, Interior is taking part in the First Lady's *Let's Move* initiative to combat the problem of childhood obesity. Interior has long-standing partnerships with organizations such as the 4-H, the Boy Scouts, the Girl Scouts, the Youth Conservation Corps, and the Student Conservation Association. These programs leverage Federal investments to put young people to work, build a conservation ethic, and educate the next generation of land and water stewards.

Water Challenges

Interior is working to address the 21st Century pressures on the Nation's water supplies. Population growth, aging water infrastructure, changing climate, rising energy demands, impaired water quality and environmental needs are among the challenges to already scarce

supplies. Water shortage and water use conflicts have become more commonplace in many areas of the United States, even in normal water years. As competition for water resources grows, the need for information and tools to aid water resource managers also grows. Traditional water management approaches no longer meet today's needs.

In 2010, the Secretary issued a Secretarial Order establishing the WaterSMART program which embodies a new water sustainability strategy. WaterSMART coordinates Interior's water sustainability efforts, creates a clearinghouse for water conservation best practices and implements a Department-wide water footprint reduction program to reduce consumption of potable water by 26 percent by 2020.

Reclamation proposes to fund the rebased WaterSMART at \$53.9 million, \$6.8 million above 2012 enacted levels. The three ongoing WaterSMART programs include: the WaterSMART Grant program funded at \$21.5 million; Basin Studies funded at \$6.0 million; and the Title XVI Water Reclamation and Reuse program funded at \$20.3 million. The rebasing adds the existing Water Conservation Field Services program, funded at \$5.9 million, and participation by Reclamation in the Cooperative Watershed Management program, funded at \$250,000. WaterSMART is a joint effort with the USGS. The USGS 2013 budget includes \$21.0 million, an increase of \$13.0 million over the 2012 enacted level, for the USGS WaterSMART Availability and Use Assessment program.

In November 2011, the Department adopted the WaterSMART Strategic Implementation Plan, which discusses the coordination of activities across bureaus and the contributions they will make in providing Federal leadership toward a sustainable water resources future. In December 2011, we released a report on a pilot project within the Colorado River Basin. This report represents a snapshot of Interior's WaterSMART activities within the Basin and demonstrates the diversity and significance of several ongoing Federal, State, tribal, local and non-governmental cooperative efforts that are underway. It also demonstrates the effectiveness of the WaterSMART program, and the importance of these coordinated efforts to the sustainability of resources in the Colorado River Basin.

Other significant programs and highlights specific to Reclamation include:

We are in dialogue with Mexico on the management of the Colorado River. We have ongoing efforts to improve our management of resources on the Colorado River, from renewable hydropower development near the headwaters to a pilot program of desalination near the Mexican border. We are completing environmental compliance on a new protocol for high flow releases from Glen Canyon Dam to improve and protect downstream resources. We have begun the process for updating the long term plan of operations for Glen Canyon Dam to incorporate the scientific advancements that have occurred since the last plan was finalized, over fifteen years ago.

We are actively pursuing workable solutions to regional issues such as in the California Bay-Delta. The Bay-Delta is a source of drinking water for 25 million Californians and sustains about \$400 billion in annual economic activity, including a \$28 billion agricultural industry and up

until recently supported a thriving commercial and recreational fishing industry. Our efforts in the Bay-Delta are focused on co-leading an inter-agency effort with the Council on Environmental Quality (CEQ) to implement the December 2009 Interim Federal Action Plan for the California Bay-Delta. In coordination with five other Federal agencies, we are leveraging our activities to work in concert with the state and local authorities to encourage the smarter supply and use of water, ensure healthy ecosystems and water quality, help deliver drought relief services, and ensure integrated flood risk management. Over the past three years, we have invested over \$600 million in water projects in California. This funding supports the co-equal goals of providing a more reliable water supply for California and protecting, restoring, and enhancing the Bay-Delta ecosystem. We have also, in close coordination with NOAA and the state of California, worked on the California Bay-Delta Conservation Plan, a long-term plan aimed at restoring both reliable water supplies and a healthy Bay-Delta ecosystem.

On February 22, 2012 we announced the initial Water Supply Allocation for Central Valley Project (CVP) water users. Even though 2011 was a wet water year that allowed reservoirs to fill and provided abundant flows in the Sacramento and San Joaquin river systems, the exceedingly dry conditions earlier this winter pose risks to threatened and endangered fish species, as well as to the water supplies of the CVP. Interior, Reclamation, State and local agencies, and other interested parties are working together to identify and secure additional water supplies and create opportunities that will aid water management in California. We will continue to work with our Federal, State and local partners to improve water supply reliability while addressing significant ecological issues. Reclamation is continuing to update the forecast to provide the most current information to its stakeholders.

Innovation through Science

Sustainable stewardship of natural resources requires strong investments in research and development in the natural sciences. Research and development funding is increased by \$64 million in the Department's 2013 budget, with R&D funding increases among all of the Interior bureaus, and particularly USGS with a \$51.0 million increase to fund R&D priorities in disaster response, hydraulic fracturing, coastal and ocean stewardship, and ecosystem restoration. The 2013 budget includes R&D funding of \$10.1 million for Reclamation to address climate change adaptation, control invasive quagga mussels, improve desalination technologies, and promote renewable energy development.

New Energy Frontier

The 2013 budget continues Interior's New Energy Frontier initiative to create jobs and achieve greater energy independence. The Administration's blueprint for energy security focuses on safely and responsibly developing our domestic energy resources, including both conventional and renewable resources. The Department plays an important role by providing opportunities for safe and responsible development on public lands and on the U.S. Outer Continental Shelf.

Hydropower

Hydropower is a very clean and efficient way to produce energy and is a renewable resource. Each kilowatt-hour of hydroelectricity is produced at an efficiency of more than twice that of any other energy source. Further, hydropower is very flexible and reliable when compared to other forms of generation. Reclamation has nearly 500 dams and 10,000 miles of canals and owns 58 hydropower plants, 53 of which are operated and maintained by Reclamation. On an annual basis, these plants produce an average of 40 million megawatt (MW) hours of electricity, enough to meet the entire electricity needs of over 3.5 million households on average.

Reclamation and FERC are parties to a Memorandum of Understanding, signed in 1992, that addresses the establishment of processes for early resolution of issues related to the timely development of non-Federal hydroelectric power at Bureau of Reclamation facilities. Reclamation and FERC recently met to discuss how to improve the timeliness of the processes developed in that MOU and resolution of authority issues.

The Department signed a Memorandum of Understanding with the Department of Energy and U.S. Army Corps of Engineers on March 24, 2010 to increase communication between Federal agencies and strengthen the long-term relationship among them to prioritize the generation and development of sustainable hydropower. This Administration is committed to increasing the generation of environmentally sustainable, affordable hydropower for our national electricity supplies in as efficient a manner as possible. Activities under this MOU have been ongoing, and have resulted in accomplishments such as assessments of potential hydropower resources on federal and non-federal lands, a collaborative basin-scale pilot project in Oregon, and grant opportunities for research and development of new technologies. An example of its on-going efforts to maximize potential generation at existing Federal facilities, Reclamation has assessed the potential for developing hydropower at existing Reclamation facilities and by utilizing low-head hydroelectric generating capacity on Reclamation-owned canals and conduits. A report on this assessment will be released within the next few weeks.

The budget allocates \$2.0 million to increase clean renewable energy generation by exploring how renewable technologies including solar, small hydropower, and hydrokinetics can be integrated into Reclamation projects; by continuing the effort to optimize Reclamation hydropower projects to produce more energy with the same amount of water; by investigating hydro pump-storage projects that can help integrate large amounts of variable renewable resources such as wind and solar into the electric grid; and by working with Tribes to assist them in developing renewable energy sources.

Indian Land and Water Settlements

Interior's 2013 budget includes \$82.8 million in the Bureau of Reclamation and Bureau of Indian Affairs to implement land and water settlements.

The Department has a unique responsibility to American Indians and Alaska Natives, which is upheld by Interior's support for a robust government-to-government relationship as demonstrated

by a new comprehensive and transparent consultation policy that ensures there is a strong, meaningful role for tribal governments.

In 2011, Interior started planning to implement the landmark \$3.4 billion settlement of the *Cobell v. Salazar* lawsuit, and appointed a Secretarial Commission on Trust Administration and Reform to oversee implementation of the Settlement agreement. The Commission is undertaking a forward looking, comprehensive evaluation of Interior's management of nearly \$4 billion in American Indian trust funds – with the goal of making trust administration more transparent, responsive, customer focused, and accountable.

The Claims Resolution Act of 2010 settled the Cobell lawsuit and four settlements that will provide permanent water supplies and economic security for the Taos Pueblo of New Mexico and Pueblos of New Mexico named in the Aamodt case, the Crow Tribe of Montana, and the White Mountain Apache Tribe of Arizona. The agreements will enable construction and improvement of reservation water systems, irrigation projects, a regional multi-pueblo water system, and codify water-sharing arrangements between Indian and neighboring communities. The primary responsibility for constructing water systems associated with the settlements was given to Reclamation; and BIA is responsible for the majority of the trust funds.

Reclamation is budgeting \$21.5 million in 2013 for the continued implementation of these four settlements and \$25.0 million for the Navajo-Gallup Water Supply project. Reclamation is proposing the establishment of an Indian Water Rights Settlements account to assure continuity in the construction of the authorized projects and to highlight and enhance transparency.

Central Utah Project

CUPCA, Titles II - VI of P.L. 102-575, provides for completion of the Central Utah Project (CUP) by the Central Utah Water Conservancy District (District). The Act also authorizes funding for fish, wildlife, and recreation mitigation and conservation; establishes an account in the Treasury for deposit of these funds and other contributions; establishes the Utah Reclamation Mitigation and Conservation Commission to coordinate mitigation and conservation activities; and provides for the Ute Indian Rights Settlement.

The 2013 budget proposes to reconsolidate the Central Utah Project Completion Act (CUPCA) Office and program into the Bureau of Reclamation. This consolidation is part of broader Administration efforts to implement good government solutions to consolidate and streamline activities. The Central Utah Project (CUP) is the only water project within the Department of the Interior not managed by Reclamation. The proposed merger would correct that anomaly, ensuring that these projects receive equal and consistent consideration and treatment. Concerns about Reclamation's previous management and operation of the CUP have been addressed within Reclamation and corrected. The 2013 CUPCA budget is \$21.0 million, a decrease of \$7.7 million from the 2012 enacted level. Of this amount, \$1.2 million will be transferred to the Utah Reclamation Mitigation and Conservation Account for use by the Utah Reclamation Mitigation and Conservation Commission (Mitigation Commission). We propose to maintain both the Central Utah Project Completion and the Utah Reclamation Mitigation and Conservation

Accounts for CUPCA appropriations after the proposed consolidation of the CUPCA Office into Reclamation in order to enhance transparency.

The 2013 Budget includes \$17.3 million for use by the District to continue construction of the Utah Lake System facilities and to implement approved water conservation and water management improvement projects. The Act requires a local cost share of 35 percent for projects implemented by the District which increases the effectiveness of the program. The budget for the District includes \$7.3 million to fund the designs, specifications, land acquisition, and construction of the Utah Lake System, a decrease of \$6.7 million from the 2012 enacted level. The budget also includes water conservation measures at \$10 million for construction of the Provo River Canal Enclosure Project, which when completed will provide 8,000 acre-feet of conserved water for endangered fish and convey 30,000 acre-feet of CUP water.

The 2013 Budget includes \$1.2 million for the Mitigation Commission to implement the fish, wildlife, and recreation mitigation and conservation projects authorized in Title III (\$1.0 million) and to complete mitigation measures committed to in pre-1992 Bureau of Reclamation planning documents (\$200,000), all of which are necessary to allow CUP operations.

Finally, the budget includes \$1.2 million for the Program Office for endangered species recovery and operation and maintenance costs associated with instream flows and fish hatchery facilities and \$1.3 million for program administration.

Conclusion

Thank you for the opportunity to testify on behalf of the President's FY 2013 budget for the Department of the Interior and the Bureau of Reclamation. I want to reiterate my appreciation for the long-standing support of this Subcommittee. This budget has fiscal discipline and restraint, but it also includes forward looking investments. We have a tremendous opportunity to improve the future for all generations with wise investments in healthy lands, clean waters and expanded energy options.

I look forward to working with you to implement this budget. This concludes my testimony. I am happy to answer any questions that you may have.